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AUTHOR Frances, Carol; And Others
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ABSTRACT

This handbook is intended to assist governing boards of higher education institutions in using key indicators (quantitative or qualitative information that describes the condition of some aspect of the institution) to: evaluate the strategic position of their institutions, compare the institution to its peers, and monitor changes in its condition over time. The handbook is also intended to help trustees identify specific areas requiring the board's attention and to suggest the ways that key indicators can be used to make policy-level decisions. The following chapters are presented: (1) "Improving Decision Making"; (2) "Critical Decision Areas" (financial affairs, enrollment, institutional advancement, human resources, academic activities, student affairs, intercollegiate athletics, physical plant and equipment, auxiliary activities, and institutional mission) and "Critical Decision Areas and Strategic Issues Considered in Chapter 3"; (3) "Key Questions and Indicators" (for each of the critical decision areas); and (4) "Effective Use of Key Strategic Indicators" (a recommended procedure, collecting and analyzing the data, and roles and responsibilities of board and staff). Ten inserts are included at the back of the book that restate the critical decision areas, strategic issues, questions, and key trends and indicators; they are intended as aids to the reader and for later duplication and use. (KM)

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STRATEGIC DECISION MAKING

Key Questions And Indicators For Trustees

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Key Questions And Indicators For Trustees

By Carol Frances, George Huxel, Joel Meyerson and Dalmey Park

Funded by the Pew Memorial Trust

Association of Governing Boards of Universities and Colleges

Carol Frances is a specialist in the economics and finance of higher education. She works as an economic and policy analyst for education associations, government agencies, private industry and as a consultant to colleges and universities. Frances serves as vice chair of the Board of Trustees of Southeastern University.

George Huxel is vice chancellor for administration and finance of the University of Houston System. He is active in the National Association of College and University Business Officers and serves on the executive committee of the Southern Association of College and University Business Officers. Huxel has a special interest in promoting professional development opportunities for business personnel in higher education.

Joel Meyerson is a partner and director of the higher education group of Coopers & Lybrand. He also co-directs the Forum for College Financing, a research project of the National Center for Postsecondary Governance and Finance.

Dabney Park is a founding partner of Performance, a consulting firm which focuses on higher education, industry, religious institutions, and businesses. Park serves on the board of trustees of Seabury-Western Theological Seminary and has a particular interest in strategy analysis and institutional planning.

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NOTE: *For each of the Critical Decision Areas explained in this handbook, there is a chart at the back of the book listing the key questions and indicators that can be used to evaluate the strategic decisions facing trustees.*

A fundamental dilemma governing boards face is that while they are legally responsible for all aspects of their institutions' operations, most lack the time and information to tend to such a broad range of decisions. Clearly, boards need mechanisms that will help them to identify the most crucial issues and to focus on these issues at a strategic, rather than an operational level.

This handbook builds on the AGB/NACUBO publication, *Financial Responsibilities of Governing Boards*, which is now in its second edition. It has contributed significantly to standards for reporting financial information to trustees, and now trustees are asking for new ways to evaluate and more effectively use the information they receive. This handbook is intended to help meet this need.

The purpose of this handbook is to assist governing boards in evaluating the strategic position of their institutions by using key indicators—quantitative or qualitative information that describes the condition of some aspect of the institution—and which can be used to compare the institution to its peers or to monitor changes in its condition over time. Moreover, the handbook will help trustees to identify specific areas that need the board's attention and it will suggest how to use key indicators to make policy-level decisions.

Authors Carol Frances, George Huxel, Joel Meyerson, and Dabney Park have produced a handbook with three premises in mind: First, that the primary activity of trustees is making, or approving, major policy decisions for their institutions. Second, that a useful way for board members to obtain the information they need is to ask carefully considered questions. And third, that such information is most useful when it is viewed in a comparative context—in relation to the institution's peers or to its goals and/or performance in previous years.

This handbook is not exhaustive or all-conclusive. It does not consider every possible policy area or question confronting every possible board or institution. Rather, it illustrates the range of issues and questions a board may confront. The authors recommend, therefore, that users of the handbook select or develop questions and indicators that reflect the particular priorities and conditions of their institutions.

Effective use of this handbook requires partnership between trustees and the administrators responsible for day-to-day institutional management. Together, trustees and administrators can identify the major strategic issues facing the institution and the questions which will reflect the institution's position with respect to those issues. Administrators, for the most part, assume responsibility for providing the information which responds to those questions. *Because requests for such information can easily become burdensome, it is essential that boards be rigorously selective in determining the strategic issues to be explored and the information needed to do so.*

This handbook includes four chapters: *Chapter 1* describes the approach the handbook takes and contrasts it with more traditional information-gathering and decision-making processes. *Chapter 2* describes the range of decision areas included in the handbook. *Chapter 3* considers each of these areas in terms of the strategic issues they are comprised of and the key questions and indicators which illustrate each issue. Finally, *Chapter 4* describes effective use of the key strategic indicators approach, with special attention to the value of comparative information and to the role of trustee-administrator teamwork.

We are grateful to the many trustees, presidents, and senior administrators who provided the data, ideas, and constructive criticism which enhanced the handbook's usefulness. At AGB, we are particularly indebted to Barbara E. Taylor, who managed the project and coordinated several manuscript revisions.

Finally, the handbook's development was made possible by a generous grant from the Pew Memorial Trust, and we are grateful to them for their support and their belief in the value of the project.

Robert L. Gale
President
Association of Governing Boards
of Universities and Colleges

CHAPTER 1

Contemporary political, social, financial, and legal realities are enlarging the role of boards of trustees in the destinies of the institutions they serve and heightening the importance of the decisions they make. For example, trustees' participation is crucial in securing scarce public and private funds, in deciding to alter institutional missions and program offerings in response to changing market demands, in ensuring responsiveness to calls for increased quality of education, and in making expenditure decisions which may affect an institution's long-term financial condition.

As they carry out their responsibilities, boards typically make three kinds of decisions: first, urgent, *one-time* decisions on unanticipated matters such as how to deal with a lawsuit; second, *recurring* decisions on matters that regularly come before the board, such as setting faculty compensation levels or student tuition charges; and third, carefully considered, *strategic* decisions that significantly affect the future direction of the institution, such as whether to offer a new academic program or construct a new research facility. The approach suggested in this handbook is especially appropriate for identifying and making *recurring* and *strategic* decisions.

Good decisions require good information, and boards are offered an enormous amount of information about their institutions—some of it helpful in assessing conditions and making decisions, some of it confusing, and some of it irrelevant. To exercise its leadership role in a responsible way, a board must be able to focus on a small number of critical decisions and concentrate its attention on key, relevant data. Thus, this handbook is organized to help boards identify areas that need their attention, ask useful questions about these areas, and suggest the kinds of information, or indicators, that could be useful in answering those questions.

Formal planning and information systems developed in the 1970s have not always proven very successful in helping trustees focus on new issues and opportunities or in sharpening their decision making.

One reason for the ineffectiveness of large, formal planning processes is that many decisions made by governing boards are ad hoc in nature and must be made on the basis of information available at the time debate occurs on an issue. Comprehensive, often bureaucratic, planning processes supported by large management information systems simply are not responsive to the immediate information needs of trustees and senior administrators of colleges and universities.

At many institutions, the information required to reach important decisions is usually supplied to answer specific requests by trustees and senior administrators. Since the management information systems currently in use at most institutions were designed to meet specific operational needs, ad hoc requests for information from these generally rigid operating systems can often require more time and effort than is necessary. In some cases, voluminous, disjunctive reports regularly answer questions no one has asked, while they still fail to provide readily available information to meet the decision needs of trustees.

The investment of resources over the last 10 to 15 years to develop comprehensive management information systems has generally improved the operations of most institutions, but many of these systems have not lived up to their promise to provide policy decision-oriented information in a timely manner and in a usable form for trustees and senior executives.

Most of the important issues that trustees must face, such as the expression of an institutional vision, the establishment of tuition policy, or the response to the loss of a competitive advantage in the market, are highly dependent on the exact context of the problem. Trustees deal with unique problems for which there are no standard operating procedures, and it is very difficult for them to obtain and keep current sufficient knowledge of these problems. There is no "normative" approach to planning and decision making, and no clear set of alternatives arises during this process. Consequently, trustees are forced to make decisions in an atmosphere of ambiguity and uncertainty.

In order to operate comfortably and effectively in this environment, a board requires information that is reliable, relevant, and provided on a consistent basis. One approach to accomplishing this objective involves the application of two related management techniques: the identification of *critical decision areas* and the selection of *key indicators* which describe their condition.

It is crucial for decision makers to determine the information that will be most useful to them. One effective practice for doing this is to identify "critical decision areas" and the "strategic issues" which emerge from them. This simple and straightforward method is based on one of the oldest managerial concepts—the need for managers to focus on the most significant aspects of their responsibilities.

Critical decision areas are the relatively small number of truly important areas on which governing boards and senior administrators of colleges and universities should focus their attention. Strategic issues are the specific goals and concepts associated with effectiveness in a particular critical decision area. They represent the few areas which are critical to the success of the institution. The key to success for most organizations is to focus their most limited resources—the time of trustees and top administrators—on those issues which really make the difference between success and failure.

A second and related management practice used to provide meaningful executive information is the key indicator system. This concept is based on the selection of a set of key indicators which reflect the condition of the institution.

Once the critical decision areas are identified, indicators can be selected and traced to shed light on each of the areas. For the board, the question is not what data are available, but which indicators are crucial to strategic assessment and effective decision making about the mission of the institution.

Key indicators may be defined as information that is gathered and used to assess the strategic condition of the institution and to shape, inform, and support policy decisions. While board-level decisions may be appropriately made on a formal or an informal basis, key indicators, whenever possible, should be collected and scanned on a regular and systematic basis.

A governing board can use critical decision areas and key indicators to take a "strategic snapshot" of their institution—that is, assess its strategic position at a point in time—as well as examine critical issues that face the institution, make decisions, outline plans for the future, and monitor institutional performance. Key indicators can also be used to communicate successes and plans both inside and outside of the institution and to refine management strategy.

By their nature, these issues are not clearly defined when they are first suggested and discussed. Key indicators that shed light on these issues help trustees understand past trends and current situations more clearly. In many cases, it is the trends in key indicators that initiate the discussion of new issues. Indicators make it possible for trustees to anticipate future issues and to become proactive, rather than reactive, in providing leadership.

Indicators are vital to the planning process because they suggest a parameter of what is realistic and provide a means of tracking the successful accomplishment of stated objectives. Thus, plans are tied to performance—telling us what happened—whether or not the objective was accomplished. Sometimes unanticipated results, whether successes

or failures, force attention to new issues, drive new decisions, and result in revised plans.

Trend analysis is particularly important to the understanding and use of key indicators. It allows the board to examine a past period of performance (five or ten years, for example), and gives a broader picture of the direction in which the institution is headed. *Comparative analysis* is also important, as it allows an institution to gauge its performance in relation to peer institutions.

Conclusion

Governing boards can improve their effectiveness by focusing their attention on critical decision areas, by watching the trends in key indicators, and by monitoring performance in those areas that are important to the success of their institutions. These techniques can become powerful tools which trustees can use in assessing conditions, setting goals, deciding how to attain those goals, and monitoring institutional performance.

Effective decision making combines both intuitive and rational judgments. Key indicators provide board members and senior administrators with both factual and perceptual trends to support the process of decision making. In the following chapters, critical decision areas, strategic issues, key questions and indicators are presented.

CHAPTER 2

Issues come to the attention of a governing board from a wide variety of sources. They can cover virtually any aspect of institutional life, from the health of the president, to the construction of a new teaching auditorium, to the way the lawn is mowed. Thus, board decisions are difficult to classify.

The *critical decision area* approach identifies and selects those decision areas which trustees and administrators consider critical to the successful performance of the institution's mission. Critical decision areas generally include:

I. Financial Affairs

The financial responsibility of trustees includes overseeing the institution's financial performance and condition, as well as endowment management.

II. Enrollment

Trustee involvement in establishing enrollment policies is critical since student enrollment affects every aspect of the life of a college or university. Enrollment policies include enrollment planning, tuition pricing, and student financial aid.

III. Institutional Advancement

Advancement in higher education is normally thought of as the organized effort to attract public and private funding and other forms of support from sources external to the institution. In both public and private institutions, trustees are becoming increasingly involved in development activities, as well as efforts to improve public image.

IV. Human Resources

Higher education is a labor-intensive industry. Trustees must ensure that adequate policies are developed to properly manage the institution's faculty and staff.

V. Academic Activities

Academic activities are determined by the institution's mission and faculty and student desires. Such activities can be classified as instruction, research, or public service.

Trustees must provide for proper review and approval processes to ensure that program offerings are consistent with the institution's mission and resources, appropriate to the needs of its students, and of sufficiently high quality. In addition, services that support the academic programs, such as libraries and computers, need scrutiny.

VI. Student Affairs

Programs which the institution offers to support and enhance the quality of student life are fundamental to the college experience. Trustees are responsible for the welfare of students, and need to ensure that the institution provides adequate student activities and services.

VII. Intercollegiate Athletics

Intercollegiate athletics are an important feature of many colleges and universities. In some instances, athletics may be considered one form of student activity. In other cases, athletics may be treated as auxiliary enterprises which provide income and public recognition for the institution. Trustees must consider the philosophy which underlies the institution's intercollegiate athletics program and ensure that the program in fact supports that philosophy.

VIII. Physical Plant and Equipment

Trustees are responsible for providing and maintaining an adequate physical plant to house the institution's activities and to provide the equipment necessary to fulfill the institution's mission. Basic physical plant issues include deferred maintenance, efficiency, and cost containment.

IX. Auxiliary Activities

Institutions engage in auxiliary activities to provide services directly or indirectly to students, faculty, and staff for a fee related to the cost of those services. Such activities may also include business enterprises set up as independent units intended to attract revenues to the institution. Trustees should be involved in developing and monitoring policies that govern these activities.

X. Institutional Mission

No area is more important than the institution's mission. An institution's mission statement describes its objectives and basic values. A governing board should be aware of the impact of proposed policy decisions on the institution's mission and should be certain that such decisions support the mission.

For each of the *critical decision areas* listed, Chapter 3 presents key questions and indicators which may be used to evaluate the dimensions of strategic positions that concern trustees. Effective use of this approach involves the following:

1. Selecting critical areas of concern to the board.
2. Identifying the strategic issue under consideration.
3. Asking pertinent questions about the strategic issues.
4. Examining the key indicators that shed light on the questions and issues.
5. Making a decision and evaluating the results.

Chapter 3 explains strategic issues that clarify the critical decision areas described in Chapter 2. The critical decision areas and strategic issues covered in Chapter 3 include:

I. Financial Affairs

Financial Performance

1. Assurance of sound financial management
2. Positive financial performance
3. Balanced sources of revenue
4. Balanced expenditures

Financial Condition

5. Increase of institutional assets
6. Prudent use of debt as leverage for needed assets
7. Maintenance of a strong financial condition

Endowment Management

8. Increasing total return on endowment
9. Allocating return on endowment between current and future needs

II. Enrollment

Enrollment Planning

10. Choosing the optimum size of enrollment
11. Influencing the selectivity of the institution

Tuition Pricing

12. Setting the right price for tuition

Student Financial Aid

13. Maximum leverage of financial aid to achieve targeted student mix and desired selectivity

III. Institutional Advancement

Development and Fundraising Programs

14. Sustaining the fundraising effort
15. Managing development activities
16. Launching a capital campaign
17. Ensuring that the development program supports the long-term needs of the institution's financial plans

Institutional Image and Communications

18. Maintaining the support of constituents

IV. Human Resources

Faculty and Staff

19. Providing adequate support for faculty and staff
20. Hiring and retaining the right faculty and staff
21. Maintaining equitable personnel policies and procedures

Governance, Management, and Morale

22. Participation in decision making
23. Efficiency and effectiveness of management practices

Affirmative Action

24. Maintaining a healthy mix of faculty, staff, and students

V. Academic Activities

Instruction

25. A viable mix of academic programs
26. Assurance of high quality instruction
27. Approval of new programs
28. Discontinuance of existing programs

Research

29. Appropriate balance between instruction and research

Public Service

30. Appropriate public service activities

Academic Support Services

31. Adequacy of learning resources and computer support

VI. Student Affairs

Student Services

32. Quality of student life

Student Activities

33. Responsible expenditures of student activity fees

VII. Intercollegiate Athletics

Funding and Quality of Athletic Programs

34. Self-sufficiency of athletics
35. Enhancement of institutional image and visibility through athletics

VIII. Physical Plant and Equipment

Physical Plant

36. Adequate and timely maintenance and renovation of the physical plant
37. Allocation of space
38. Controlling physical plant costs

Equipment

39. Effective management of equipment

IX. Auxiliary Activities

Auxiliary Services

40. Adequacy of administrative support services set up as auxiliaries

Auxiliary Enterprises

41. Utilization of auxiliary enterprises as sources of revenue

X. Institutional Mission

Mission

42. Responsiveness of the mission to changes in the external environment

CHAPTER 3

Critical decision areas for consideration by governing boards were presented in Chapter 2. In Chapter 3, each of these areas is examined in terms of strategic issues, key questions for board members to ask, and key indicators to provide information for board decisions. As will be described more fully in Chapter 4, these indicators are best viewed from a comparative perspective—in relation to peers, to goals the institution has set, or to performance over several previous years. Thus, in charts included throughout the chapter, comparative data are presented to illustrate strategic issues of interest to several actual but disguised colleges and universities. These charts suggest formats and perspectives which boards may find helpful in understanding aspects of their institution's strategic position.

Lists of key questions and indicators are presented for each strategic issue in each of the critical decision areas, and should be considered illustrative rather than comprehensive. Users of this handbook will wish to develop questions and indicators that reflect the particular priorities and conditions of their institutions. No single institution will find all of the issues described here relevant, and no board will find it useful to determine values of all indicators listed.

I. Financial Affairs

The responsibility of overseeing the financial affairs of their institutions is one of the more crucial decision areas for trustees. Unless there are adequate financial resources, academic activities cannot be carried out effectively. Trustees must see that financial resources are sufficient to support academic functions in a responsible way.

In the financial domain, trustees are concerned with financial performance, financial condition, and endowment management. They are responsible for ensuring that funds are used for designated purposes and for commissioning and reviewing annual financial audits.

Financial performance relates to operations over a specified period of time, which are usually recorded in a statement of revenues and

expenditures. Long-range financial equilibrium, in which the rate of revenue growth equals or exceeds expenditure growth, may be a goal of financial performance. Normally, the larger the revenue surplus, the stronger the institution's financial performance; in some instances, a large surplus will not indicate optimum financial performance. Surpluses can be used to meet the next year's operating budget or retained to strengthen the institution's financial condition. Large deficits are generally a sign of financial difficulty, especially if they occur in successive years. Operating deficits should be offset by future operating budgets, involving increased revenue and/or reduced costs. By using externally borrowed funds, non-recurring revenue, or internal reserves to cover deficits, the future of the institution may be weakened.

In the context of financial performance, current revenues and expenditures may be divided into two categories: educational and general revenues and auxiliary revenues. Educational and general revenues are used to support the central functions of the institution—instruction, research, and public service. Auxiliary activities are treated in Section VII.

One aspect of financial performance is the mix of various sources and types of revenue. Ideally, an institution should have a diversified revenue structure comprised of independent fund sources. Significant changes in revenue mix can signal increasing dependency on particular sources, which can become a problem. For example, an increasing reliance on tuition income or "soft" (temporary) funds can create financial instability if these income sources falter.

One revenue source of particular interest to the board is the rate of return from an endowment or invested funds which the institution may possess. Endowment returns in some institutions are largely considered operating revenue and contribute directly to financial performance. At other institutions, a portion of returns are reinvested in the endowment and therefore contribute to financial condition.

Another aspect of financial performance is the mix of expenditures. Expenditures may be tracked by organizational unit, in relation to the budget. They may also be summarized by functional categories, including instruction, research, public service, academic support, student services, institutional support, operation and maintenance of physical plant, and scholarships and fellowships. Other categories of interest to trustees include debt service (principal and interest), institutionally-funded student aid, and fringe benefits. Capital renewal and replacement should be specifically recognized and funded on an ongoing basis.

Strategic Issue #1: Assurance of sound financial management

QUESTIONS	KEY TRENDS AND INDICATORS
Have annual financial audits been conducted regularly in the past?	Annual audit reports

Has the institution received qualified opinions or exception letters?	Exception letters
Have "deficiencies" been acted on?	Reports by management
	Exception letters in subsequent years

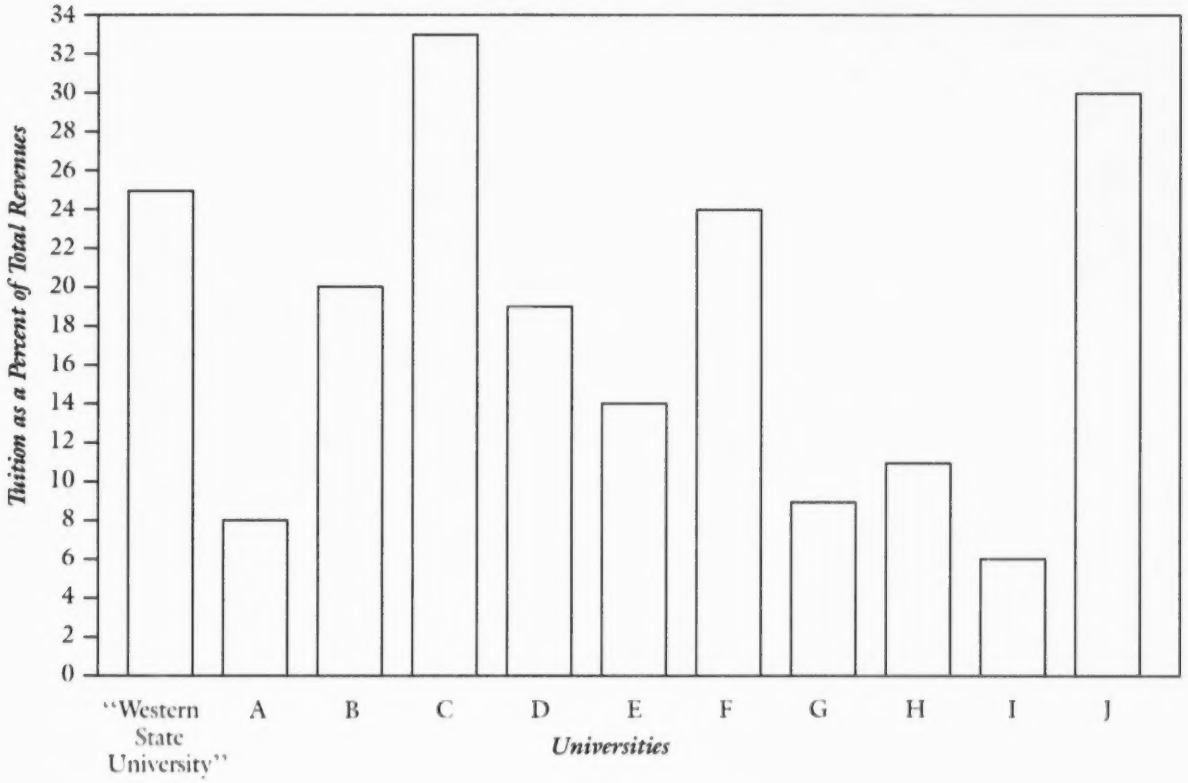
Strategic Issue #2: Positive financial performance

QUESTIONS	KEY TRENDS AND INDICATORS
Has the institution met operational expenditures with operational revenues generated in the same year?	Annual surpluses or deficits
	Surpluses or deficits as a percent of total operating revenues
	Financial Viability Ratio (Educational and General [E&G] revenues minus expenditures and mandatory transfers divided by E&G expenditures)
How have surpluses been allocated?	Surpluses allocated to reserves
	Surpluses allocated to subsequent operating budgets
How have deficits been compensated?	Reserves allocated to compensate for deficits
What is the purpose of non-mandatory transfers between funds?	Non-mandatory inter-fund transfers

Strategic Issue #3: Balanced sources of revenue *(see Chart 3-1)*

QUESTIONS	KEY TRENDS AND INDICATORS
To what extent are the sources of revenue diverse and independent?	Percent of revenue by source
How tuition-dependent is the institution?	Tuition as a percent of total Education and General (E&G) revenues
How dependent is the institution on operating income from endowment and reserves (if at all)?	Endowment and reserve funds used for the operating budget
How dependent is the institution on other sources of revenue?	Other sources of revenue as a percent of E&G revenues
How vulnerable is the institution to "soft" (non-recurring) sources of revenue?	Non-recurring ("soft") revenues (dollars, percent)

Chart 3-1. Tuition as a Percent of Total Revenues at "Western State University" and 10 Peer Universities, 1986.



This chart illustrates one aspect of balance among revenue sources (Strategic Issue #3). It compares the percent of total revenues accounted for by tuition at "Western State University" with 10 of its peer public institutions.

Strategic Issue #4: Balanced expenditures

QUESTIONS	KEY TRENDS AND INDICATORS
What financial emphasis does the institution place on instruction?	Instruction as a percent of E&G expenditures
What financial emphasis does the institution place on research?	Research as a percent of E&G expenditures
How much is spent on administrative overhead (institutional support)?	Institutional support as a percent of E&G expenditures

Are operating expenditures funded by non-operating revenue?	Percent and amount of E&G expenditures
Are adequate provisions made for deferred and future maintenance needs?	Percent of operating revenues dedicated to maintenance
	Maintenance expenditures funded from designated reserves
How much is spent on operating and maintaining buildings and grounds?	Operation and maintenance of plant as a percent of E&G expenditures
How much is spent on institutionally-supported student financial aid?	Scholarships and fellowships as a percent of E&G expenditures
How much is spent on debt service?	Debt service (principal and interest) on non-auxiliary notes as a percent of E&G expenditures
How much is spent on other areas, such as public service, academic support, student services, and fringe benefits?	Public service, academic support, student services, and fringe benefits as a percent of E&G expenditures

Financial condition relates to the assets and liabilities of the institution at a moment in time, as they might be reflected in a balance sheet. The assets must be adequate for the institution to fulfill its mission, while the liabilities must not become a barrier to that mission. The board should know whether these assets and liabilities are increasing or decreasing, and why. Capital assets include physical plant and equipment, endowment and other investments, and reserves or operating surpluses accumulated over time.

An increasingly important factor in an institution's financial condition is debt management. Debt can provide the leverage required to obtain needed assets, such as new buildings and equipment, and to make investments in the future. However, debt obligations can also constrain future initiatives by restricting funds available for new ventures and increasing the cost of capital. Institutions should determine their optimal debt level by analyzing the impact of borrowing on current and future operating costs. Debt service (principal and interest) as well as recurring maintenance costs of new facilities should be estimated and built into future operating budgets.

Other factors involved in determining financial condition include liquidity, or financial flexibility, and hidden future commitments, such as deferred maintenance of the physical plant, technological obsolescence of equipment, or unfunded retirement benefits.

Strategic Issue #5: Increase of institutional assets

QUESTIONS	KEY TRENDS AND INDICATORS
Have assets been increasing?	Total assets as reflected in audited annual statements
Have the endowment and similar funds been increasing?	Endowment and similar funds
Have plant funds been increasing?	Plant funds

Strategic Issue #6: Prudent use of debt as leverage for needed assets

QUESTIONS	KEY TRENDS AND INDICATORS
How much short-term debt does the institution have?	Short-term notes
How much long-term debt does the institution have?	Long-term debt
How much principal is the institution obligated to pay?	Annual payments of principal
How much interest is the institution obligated to pay?	Annual payments of interest
	Accrued interest expense
What impact does debt service (principal and interest) have on the operating budget?	Interest and principal payments as a percent of the operating budget
To what degree is future initiative constrained by current debt?	Projected discretionary revenues

Strategic Issue #7: Maintenance of strong financial condition

QUESTIONS	KEY TRENDS AND INDICATORS
Could the institution repay its long-term debt with the assets it can legally use for this purpose?	Ratio of expendable fund balances to total debt
Could the institution repay its short-term debt with its liquid funds?	Liquidity Ratio (current assets divided by current liabilities)
Are reserves increasing relative to expenditures?	Reserves as a percent of E&G expenditures

Endowments are funds held in perpetuity by an institution. In private institutions endowments are normally held by the institutions themselves. In public institutions they are often held by non-profit foundations, sometimes with separate boards established specifically for this purpose.

Boards have more control over quasi-endowments, which are funds they designate to function as endowments. Use of these funds is not subject to the restrictions that apply to endowments, and boards can legally designate them for other uses, including operating funds. Institutions also seek to maximize the return on cash and other short-term investments.

Return on endowment investments can be considered as the income on the investment of these funds. In recent years, the trend has been to consider both investment income and capital appreciation as return.

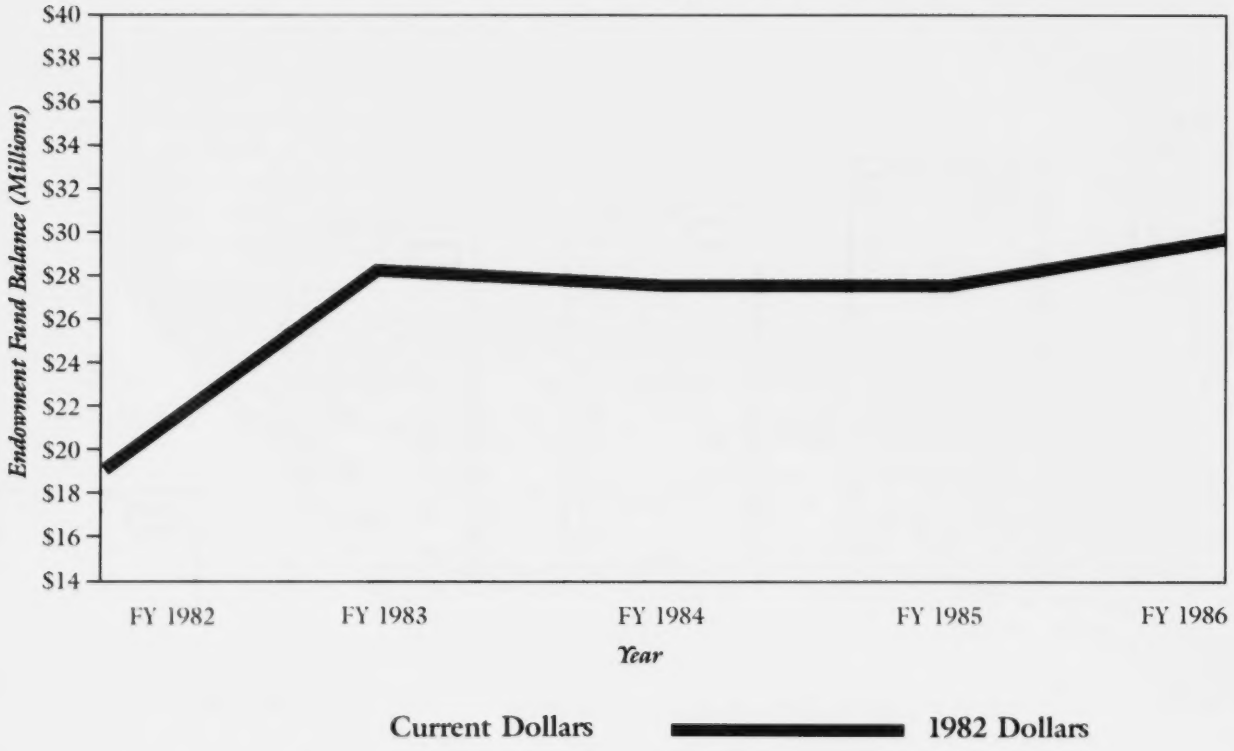
The role of boards in overseeing the endowment is generally not to manage the investment of the funds but to set investment objectives, select professional managers, and monitor their performance. Increased attention is being given to the capital maintenance of these endowed funds based on recent stock market fluctuations.

Strategic Issue #8: Increasing total return on endowment *(see Chart 3-2)*

QUESTIONS	KEY TRENDS AND INDICATORS
How big is the institution's true endowment?	Total true endowments
How much has the institution set aside in quasi-endowments (i.e. funds functioning as endowment)?	Total quasi-endowments
How much has the institution set aside in a dedicated reserve fund?	Total dedicated reserves
How much have endowments and reserves increased in capital value?	Capital appreciation each year of endowments and quasi-endowments and reserves
What is the rate of return on invested endowments and reserves?	Percent earned on invested endowments
	Percent earned on invested quasi-endowments and reserves
Has endowment size kept pace with the growth in operating expenditures?	Endowment as a percent of E&G expenditures
Has the endowment kept pace with the size of the institution?	Endowment per FTE student

How much is available either for reinvesting or for use as operating funds?	Discretionary endowment income (total amount of funds earned from capital resources subject to the board's discretion)
How much has the institution reinvested?	Percent of discretionary endowment income reinvested

Chart 3-2. Endowment Fund Balance at "Midwest College," in Current and Constant Dollars, 1982 through 1986.



This chart reflects the value of "Midwest College's" endowment fund balance, in current and constant dollars, between 1982 and 1986. This indicator is basic to calculating total return on endowment (Strategic Issue #8).

Strategic Issue #9: Allocating return on endowment between current and future needs

Boards are responsible for maintaining and enhancing resources throughout the life of the college. Consequently, a key decision is how to allocate resources between current and future needs. Such an allocation is determined by endowment spending or "payout" rates. A payout rate is the percent of total return (income plus appreciation) as related to the value of the endowment that is to be spent currently. The remainder will be "reinvested" in the endowment for future

earnings. A review of the payout rate as a percentage of the actual total return is a good indicator of what is being retained in the endowment to meet future needs. Payout rates reflect the board's judgment on how best to promote the long-term interests of the institution. Should income be spent now to meet operating expenses or should it be invested to earn more income to be spent later? Traditionally, payout rates at some institutions have been based on dividends and interest, a proportion of total return, and historical spending levels. One principle that should be reflected in payout rates is the maintenance over time of real endowment income per student. This will help ensure that the future purchasing power of the endowment is not eroded.

QUESTIONS	KEY TRENDS AND INDICATORS
How much endowment return is available for reinvesting in the principal or for use as operating funds?	Discretionary endowment income (total amount of funds earned from capital resources subject to the board's discretion)
How much endowment return is needed to balance the current operating budget?	Operating deficits or surpluses Percent of endowment return allocated to current operation
How much has the institution reinvested in endowment principal?	Percent of endowment return reinvested in the principal
How much should be reinvested for future needs?	Trends in return on investments Trends in costs Trends in enrollment Trends in real endowment per student

II. Enrollment

Enrollment affects every aspect of the life of a college or university. It is central to academic activity, it affects institutional quality and drives the demand for faculty and courses. Enrollment also determines the need for classrooms, library books, residence hall space, student services, and practically everything else.

Enrollment's impact on finances depends on the mix of institutional revenues. If tuition revenue and the external financial aid generated by additional students are higher than the incremental cost of serving more students, increased enrollments can bring additional net income. However, if tuition and external financial aid is less than the

added costs, increased enrollments can place higher demands on all other sources of revenue. In addition, a decline in enrollment generally reduces institutional revenue.

Enrollment also significantly affects institutional quality, both directly through the mix of students by academic achievement levels, and through the additional tuition revenues that can be used to improve academic programs. A decision to improve institutional quality requires careful enrollment planning because one way to improve quality is to enroll better students, but because fewer of them are available, the applicant pool is reduced.

For highly selective institutions, recruitment targeted to specific student markets may be crucial. On the other hand, the less selective the institution, the more enrollment planning will be driven by overall demographic and economic trends.

Boards may be involved in establishing objectives for total enrollment and student mix, as well as setting admission standards.

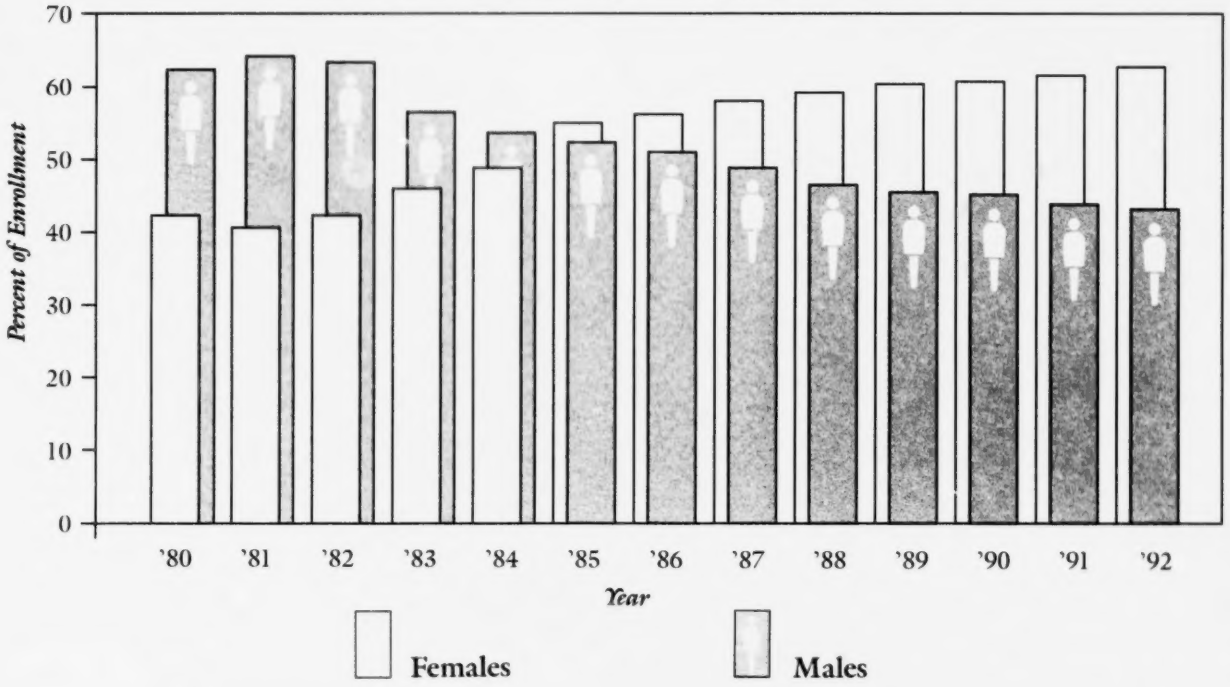
Boards should assess the cross-impacts of tuition pricing and student aid policies on enrollment. Likewise, they should assess the cross-impacts of enrollment changes on staff and facilities requirements.

Strategic Issue #10: Choosing the optimal size of enrollment *(see Chart 3-3)*

QUESTIONS	KEY TRENDS AND INDICATORS
What have enrollment trends been over the last five to ten years?	Total enrollment
	Enrollments by academic program, academic level, and part-time/full-time status
	Enrollments by gender, ethnic background, age, income, and geographical distribution
	Student retention rates
	Student credit hours, by program
What is the optimum or target enrollment?	Break-even enrollment (where added revenues cover added costs)
Will future pressure be created for increased or decreased enrollment?	Demographic and market trends in area of student draw
Can desired enrollment levels be supported by the number of potential students?	Projected number of potential students in the areas where the institution draws most of its students, by age group
	High school graduation rates
At what rate are facilities currently utilized?	Facilities utilization study
Would enrollment shifts add revenues or costs to the operating budget?	Added revenues from tuition and external financial aid, minus the costs of new enrollments

Would new facilities and equipment be needed to accommodate shifts in enrollment?	Projected needs for facilities and equipment
Are changes in academic programs or emphases suggested by changes in enrollment?	Projected student credit hours by academic program Market studies demonstrating need for new programs and emphases
What would be the impact of enrollment shifts on the student/faculty ratio?	Projected student/faculty ratio
How many and what mix of faculty and staff would be needed to accommodate enrollment shifts?	Projected faculty and staff positions
How many new staff positions would be needed to accommodate new enrollments?	Projected staff positions

Chart 3-3. Trends and Projections in Full-Time Enrollment, By Sex, at "Downtown Community College," 1980-1992.



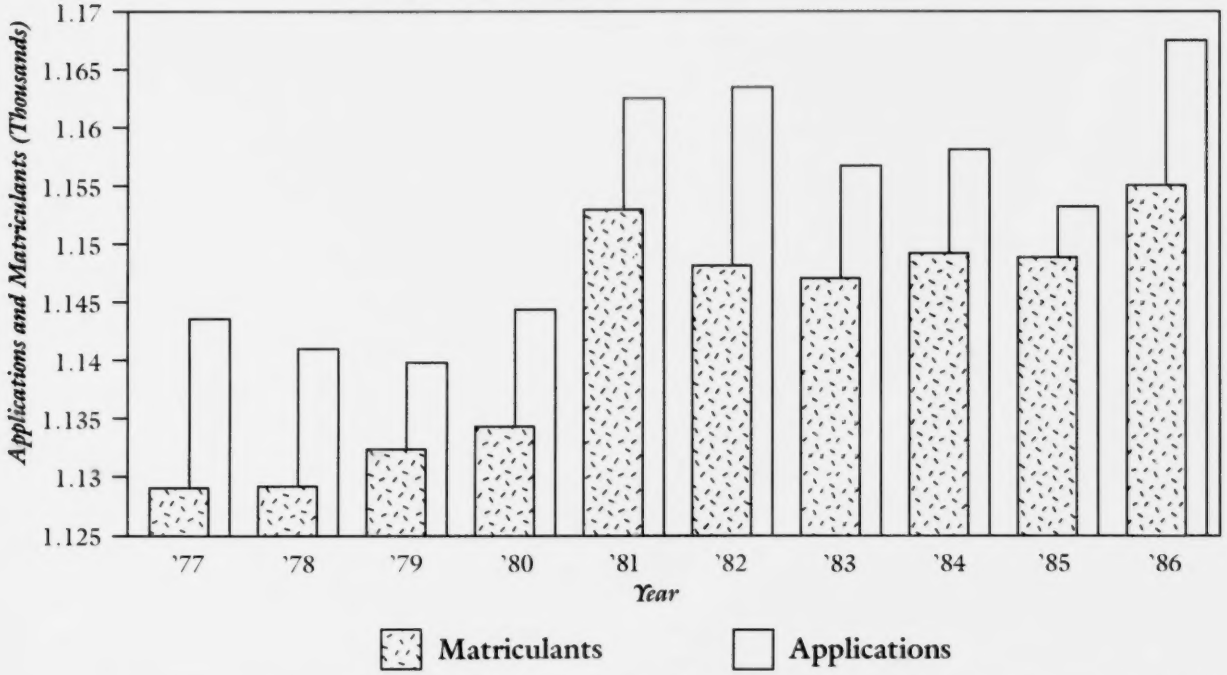
This chart shows past trends and future projections in full-time enrollment, by sex, at "Downtown Community College." Such data provide one means of addressing Strategic Issue #10, optimal size enrollment.

Strategic Issue #11: Influencing the selectivity of the institution *(see Chart 3-4)*

QUESTIONS	KEY TRENDS AND INDICATORS
What is the image of the institution?	Self-selection among applicants

How popular is the institution among potential students?	Popularity Index (number of applicants per matriculating freshman or transfer)
How strong is the drawing power of the institution on students who have applied?	Admissions Drawing Power Index (matriculants as a percent of admitted freshmen and transfers)
	Surveys of students who decline admission
How successful is the institution in retaining students through graduation?	Retention Index (percent of freshmen who graduate)
What would be the impact on the applicant pool of changing student selectivity?	Projected number of qualified applicants based on SAT or ACT cutoff scores
What would be the impact on incoming student quality of more (or fewer) matriculants?	Projected SATs or ACTs of students based on different enrollments
Will the image of the institution help or hinder the recruitment of desired students?	Image studies among potential and random students
How effective are the institution's recruitment materials and plans in stimulating applications and matriculations?	Communications audits of recruitment materials and plans

Chart 3-4. Trends in Freshmen Applications and Matriculants at "Northern University," 1977-1986.



This chart illustrates trends in freshmen applications and matriculants at "Northern University" between 1977 and 1986. These data can be used to calculate a popularity index useful in understanding Northern's selectivity (Strategic Issue #11).

Economic pressures on both colleges and their students assure that tuition levels are considered before the start of every academic year by governing boards of virtually every private institution and most public institutions where the board is empowered to set tuition levels.

Most colleges and universities are increasingly dependent on tuition revenues. As costs have increased and revenues from other sources have failed to keep pace, some institutions have been forced to raise tuition to balance their budgets. But each time tuition is raised, the question of whether the institution is pricing itself out of its market intensifies. Consequently, establishing tuition policy and reviewing staff recommendations for particular tuition levels is one of the most central of the board's decision-making roles.

Overpricing can result in a loss of enrollment; hence, of revenue. On the other hand, high tuition has come to be associated with high quality and has been accompanied at some colleges by increasing enrollments and revenue gain. But high tuition can also result in excluding desired students who are not able to pay for their education without financial assistance. Tuition discounts or waivers can help maintain a targeted mix of students, and if they are offered they should be considered a conscious part of tuition policy and deducted from operating revenues. Underpricing can also create problems. It is very difficult to "make up" unrealistically low tuition in future years.

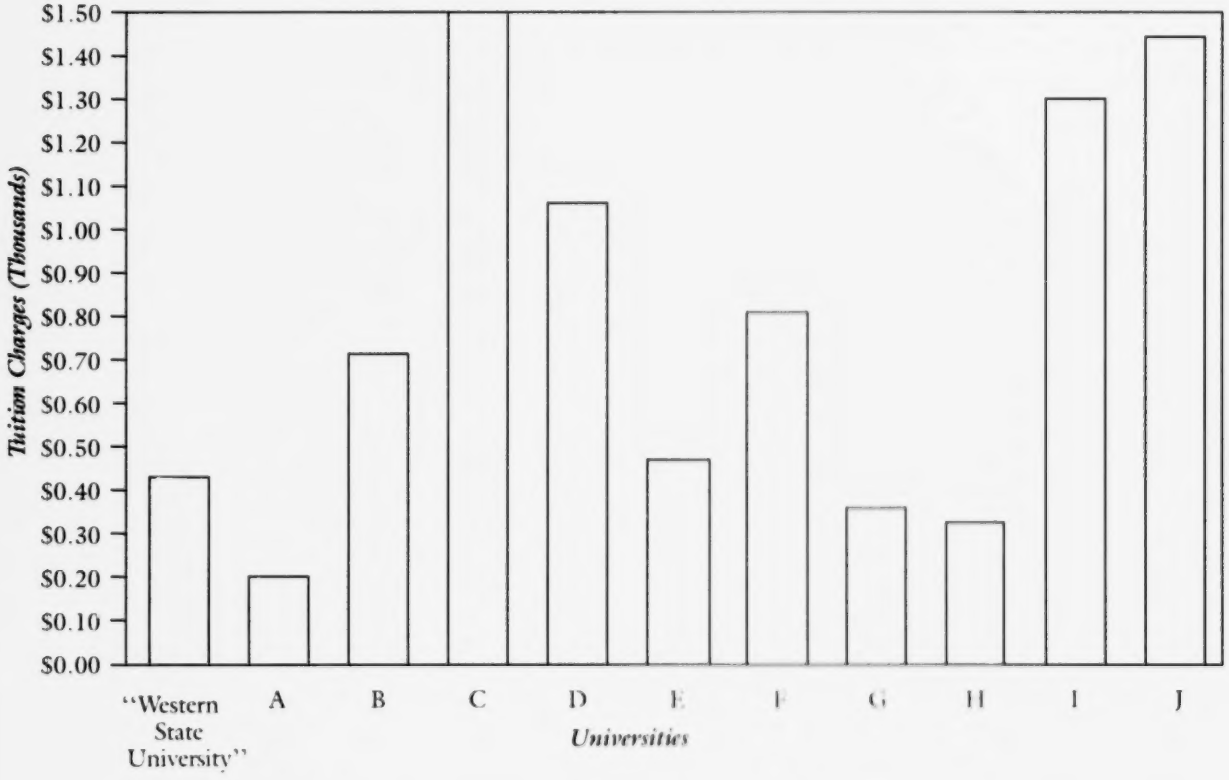
Tuition policies affect enrollments, influence quality, alter the need for student aid, and change operating revenues. All of these cross-impacts of tuition policies should be considered when a board is establishing tuition levels.

Strategic Issue #12: Setting the right price for tuition *(see Chart 3-5)*

QUESTIONS	KEY TRENDS AND INDICATORS
What has been the price of tuition and fees in the past?	Trends in tuition and fee levels
How does this compare to other institutions in the market that compete for the same students?	Tuition and fees of institutions competing in the same markets
How dependent is the institution on tuition revenues?	Tuition as a percent of total current fund revenues
What is the true revenue from tuition?	Gross tuition revenue minus discounts and waivers
	Net tuition as a percent of total current fund revenues
In the past, what has been the effect of tuition changes on enrollment?	Trends in tuition, applicants, and matriculants

What impact will a tuition increase or decrease have on applications and matriculants?	Projected applications and matriculants based on various tuition levels
What impact will a change in tuition have on the operating budget?	Projected operating budgets based on various tuition levels

Chart 3-5. Tuition Charges at "Western State University" and 10 Peer Institutions, 1986.



This chart compares 1986 tuition at "Western State University" with that of 10 peer public universities. Such data can help the university set the right price for tuition (Strategic Issue #12).

Student aid policy is closely connected with enrollment planning and tuition pricing policies. Indeed, these three decision areas are so closely connected that one should think of them as a single set of policy decisions. Together, they have a wide-ranging impact on the institution and are a major policy focus of boards of trustees.

The need-based financial aid awarded directly to students from federal and state sources lies beyond the control of the board, although the availability of this aid is generally taken into account by boards in setting policy for aid channeled to students through the institution.

As competition for students intensifies, some institutions are offering no-need student aid. This form of aid may have an adverse effect on enrollment of minority and disadvantaged students.

Boards become involved in setting policy for both campus-based aid from public sources which is awarded through the institution and student aid funded by the institution itself. Funding for student aid provided by the college itself may come from revenues provided specifically for student aid, such as private gifts or endowment income designated for scholarships and fellowships, or it can take the form of general revenues which offset the costs of tuition discounts and waivers.

Recently, in response to the rapid rise in tuition, many innovative alternatives for financing tuition have been created. These include prepayment and tuition "futures" programs, "local lender" and other loan programs, and pricing plans. Such approaches help reduce the "cost" of tuition for families and may make the institution more attractive to potential students.

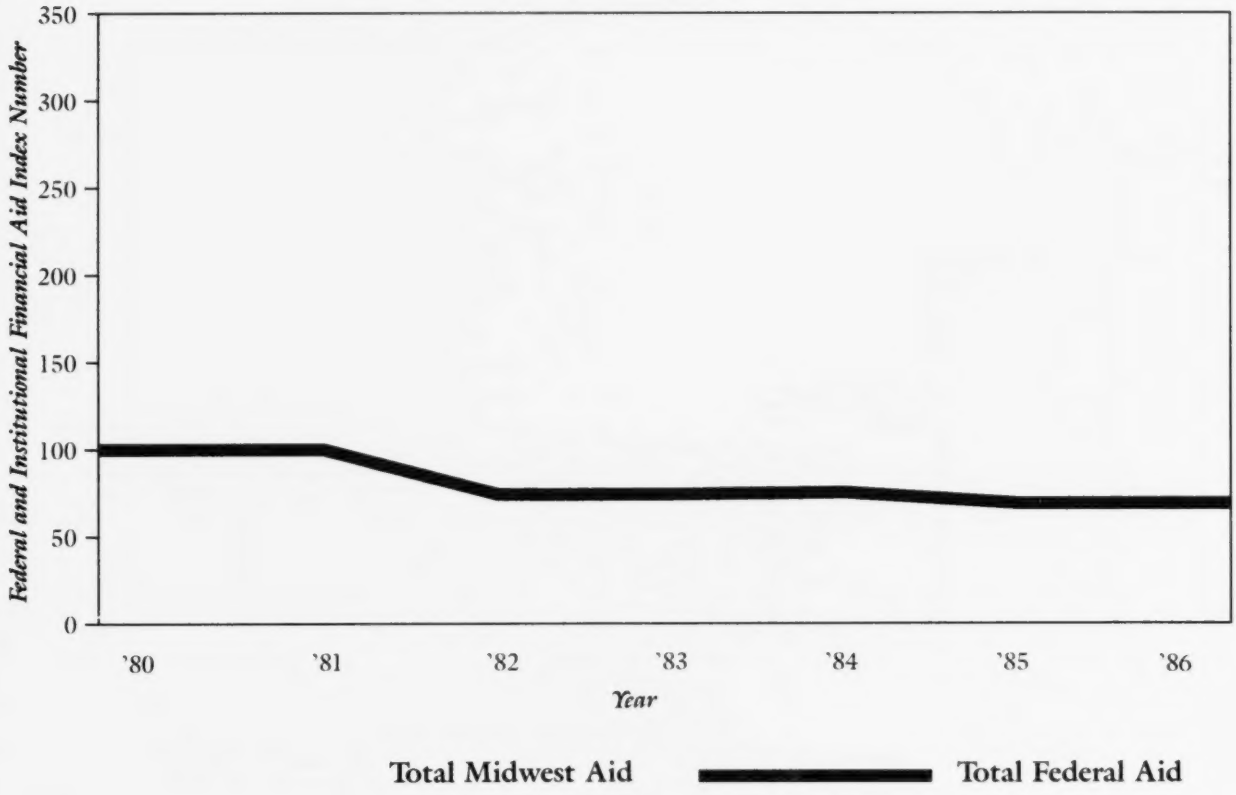
Total amounts of institutionally-funded student aid have grown dramatically in recent years, particularly at private institutions. Such aid significantly affects the institution's financing. Thus, policies guiding the level and allocation of internal student aid should be the focus of board attention as part of an annual review cycle which includes examinations of enrollment planning and tuition pricing. Boards should also monitor the debt-burden of students, since an increasing share of institutional and governmental student aid is in the form of loans.

Strategic Issue #13: Maximum leverage of student financial aid to achieve targeted student mix and desired selectivity *(see Chart 3-6)*

QUESTIONS	KEY TRENDS AND INDICATORS
How dependent is the institution on externally funded financial aid?	External financial aid as a percent of revenues
To what extent does the institution itself fund financial aid?	Discounts and waivers
	Scholarships and fellowships awarded by the institution
	Scholarships and fellowships as a percent of E&G expenditures
	Scholarships and fellowships as a percent of operating surpluses or deficits

What are the sources of institutionally-funded student financial aid?	Restricted scholarships and fellowships
	Current gifts available for student financial aid
Are financial aid and tuition discounts being used to mask "softness" in enrollment?	Trends in revenue tuition and fees minus internal financial and tuition discounts
What impact will a change in tuition have on the targeted mix of students and on need-based institutional financial aid?	Projected mix of students based on various tuition levels
	Projected discounts and waivers required to maintain a targeted mix of students
What impact will a tuition change have on merit-based institutional aid?	Projected discounts and waivers required to attract targeted students

Chart 3-6. Trends in Institutional Versus Federal Aid Paid to Students at "Midwest College," 1980-1986.



This chart shows trends in institutional and federal financial aid at "Midwest College" between 1980 and 1986. By studying changes in the two forms of aid, Midwest can assess likely effects on its operating budget and on the composition of its student body. This information is useful in considering Strategic Issue #13, leveraging financial aid to achieve targeted student mix.

III. Institutional Advancement

Development is the organized effort to secure private funding for colleges and universities. Such support is increasingly important both to public and private institutions, particularly as a source of plant and equipment capital funds and startup funds for innovative programs. Consequently, development is a central policy area for boards of trustees, and trustees often play major roles, both individually and collectively, in raising funds for their institutions.

Private giving goals should be integrated with the financial needs and plans of the institution. Funds should be raised to meet new needs and to fill holes in operating and capital budgets. Development goals, therefore, should be tied to the overall financial plans of the institution and should keep pace with inflation.

Development efforts should also be balanced among current giving, deferred giving, and capital gifts and campaigns. Excessive reliance on any one approach, such as the annual fund or a one-time capital campaign, can miss the opportunities offered by the other approaches. Capital campaigns normally involve approving fund-raising targets, endorsing the overall capital plans, and securing major gifts.

Development is becoming an increasingly sophisticated management activity. Boards should assure that adequate development systems are in place to capture relevant information about potential donors and that development offices are properly staffed in terms of both quality and size.

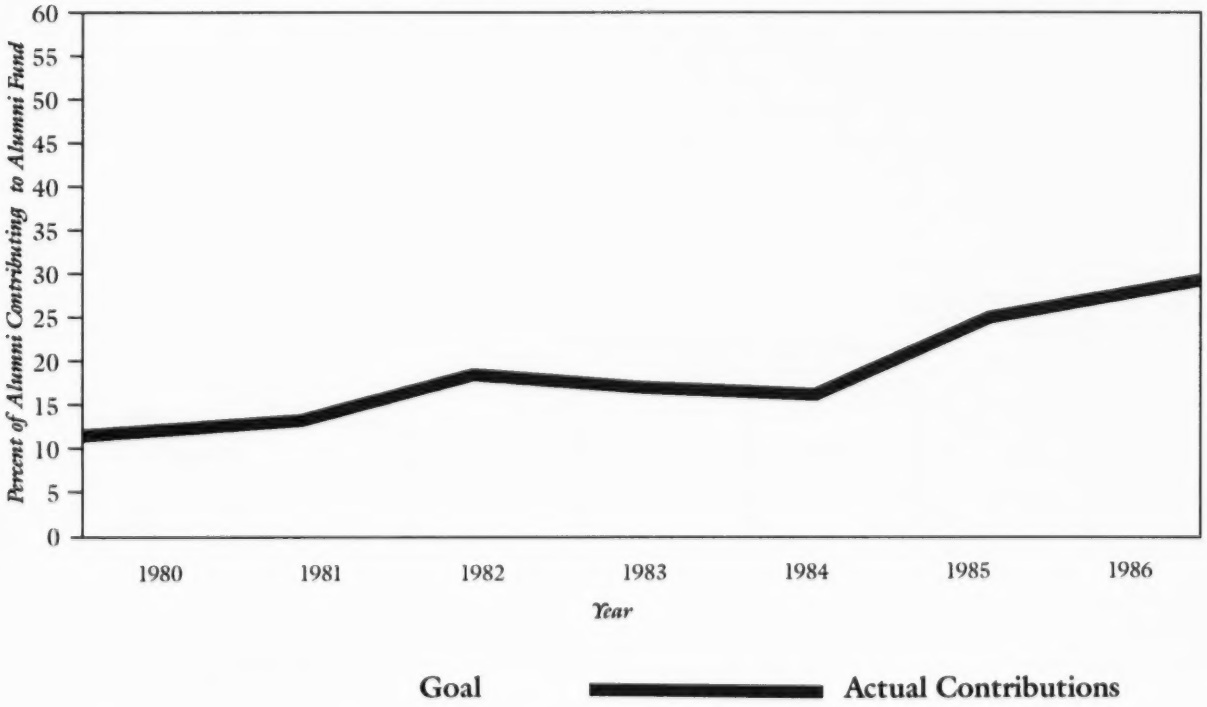
Boards want to be assured that the amount of private giving is being monitored, that targets for alumni giving and the annual fund are set and met, and that there is a high rate of return on institutional funds spent to raise outside support. Deferred giving, involving bequests and innovative insurance programs, has become an even more important source of capital and operating funds during the last few years. Potential donors now include corporations and businesses, as well as alumni and other constituents.

Strategic Issue #14: Sustaining the fund-raising effort *(see Chart 3-7)*

QUESTIONS	KEY TRENDS AND INDICATORS
What is the pattern of total contributions?	Total contributions (number, dollars) compared to targets, if any
What is the pattern of board contributions to the institution?	Percent of board members who contribute
	Board contributions as a percent of total
	Average giving of top 50% of board

What is the pattern of alumni contributions?	Alumni contributions (number, dollars)
	Percent of alumni contributions
	Average contribution per alumnus
What is the pattern of corporation and foundation gifts?	Contributions from corporations (number, dollars)
	Equipment contributions from corporations
	Contributions from foundations
Has the annual fund grown steadily?	Contributions to the annual fund
	Contributions to the annual fund adjusted for inflation
What is the pattern of gifts in bequests and annuities?	Realized bequests: number and average size
	Annuities and similar funds

Chart 3-7. Percent of Alumni Contributing to the "Midwest College" Alumni Fund—Goals and Actual Contributions, 1980-1986.



This chart compares "Midwest College's" goals for percent of alumni contributions to the annual fund with the actual percentage of alumni who gave during the years 1980-1986. This pattern of giving is one aspect of Strategic Issue #14, sustaining the fund-raising effort.

Strategic Issue #15: Managing development activities

QUESTIONS	KEY TRENDS AND INDICATORS
What is the size of the development office?	Number of development office employees
What is the average cost of contributions?	Amount of contributions divided by cost of fund-raising
Is the development system adequate?	Description of system capabilities
Are alumni and other volunteers actively involved in fund-raising?	Number of alumni participating in development

Strategic Issue #16: Launching a capital campaign

QUESTIONS	KEY TRENDS AND INDICATORS
What are capital needs for facilities, equipment, endowment, endowed chairs, and other items, and what are the priorities?	Study of capital needs for facilities, equipment, endowed chairs, and other items, presented in priority order
What are the projected revenues and costs (including maintenance) of the items to be acquired?	Projected revenues, including incremental enrollments and usage of facilities
	Projected expenses, including maintenance
Are debt service and facilities maintenance costs covered by the capital campaign program?	Projected operating budget, including debt service and maintenance
Is a fund-raising campaign feasible at this time?	Capital campaign feasibility study, preferably developed with professional counsel
What is the case for the institution's need for capital funds?	Campaign case statement
What are the plans, internal or external, for the campaign?	Campaign plan, including expectations of the board and other volunteers
Do we have the capability to launch, sustain, and successfully complete the campaign?	Committed leadership, starting with the governing board and the foundation board, where applicable
	Major gifts secured before announcing the campaign

Strategic Issue #17: Ensuring that the development program supports the long-term needs of the institution's financial plan

QUESTIONS	KEY TRENDS AND INDICATORS
Does the development plan support the long-term financial plan?	Development plans and goals Financial plans and goals
Are restricted and unrestricted funds appropriately balanced?	Restricted and unrestricted contributions

The reputation of a college or university is often viewed as the institution's most important asset. Successful institutions work to maintain continuing communication and close working relations with their constituencies, including alumni, friends, community leaders, sponsoring religious organizations, corporations, foundations, and, in the case of institutions receiving public funds, state legislators. These communication efforts also serve to enhance internal relations with faculty, staff, and students. The objectives of such programs are to keep constituents well-informed about the life of the institution and to encourage their support.

Strategic Issue #18: Maintaining the support of constituents

QUESTIONS	KEY TRENDS AND INDICATORS
How strong is alumni support for the institution?	Alumni contributions Alumni participation in key events (e.g., Homecoming)
How is the institution perceived by alumni, friends, community leaders, sponsoring organizations, and legislators?	Image studies
How effective are the institution's publications and media?	Communications audit
How effective is the institution's public relations program?	Media audit
What is the size of the public relations office?	Number of public relations employees

IV. Human Resources

Among the most valuable assets of any educational institution are its faculty and staff. Governing boards play an important role in enhancing the ability of an institution to attract and retain employees through the resource decisions they make and the policies they advocate.

Boards can also be instrumental in setting the institutional climate in which faculty and staff work. An understanding of the factors that influence decision-making processes in colleges and universities is crucial. These factors include vague institutional goals, diffuse authority, and traditions of faculty autonomy.

Boards rarely select staff other than the president. They concern themselves, instead, with setting policies which govern hiring and conditions of employment. These policies include matters of appointment, promotion, evaluation, tenure, sabbatical leave, workload, employment security, academic freedom, compensation, and professional development, among others.

While most boards routinely review budgets, balance sheets, and financial projections, few consider in comparable detail the condition of their institutions' human resources. Consequently, boards are too often ill-equipped to make informed decisions about personnel policies. Richard P. Chait, in *Trustee Responsibility for Academic Affairs* (AGB, 1984), recommends that boards receive an inventory of current staff containing data arrayed by department or unit, age, sex, race, salary, workload, tenure status, degree attainment, and likely retirement date. Using such a data base, administrators can describe for trustees the likely effects of proposed personnel policy changes. The board may wish to know, for example, what proportion of current faculty are likely to be tenured in five years, or the effects of projected staff turnover rates on future compensation costs.

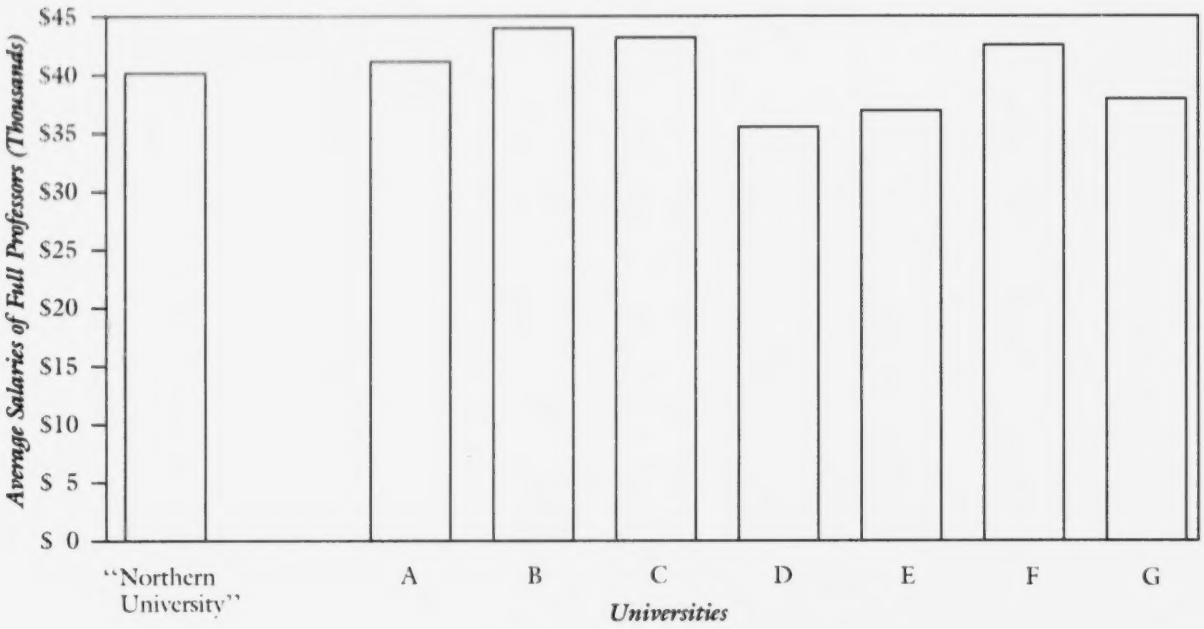
Boards should be concerned with the effects of environmental conditions on faculty and staff hiring and retention. Compensation offered by competing colleges and universities and shortages of qualified personnel affect institutions' ability to attract needed personnel. Increasingly, the cost of housing is a key factor in faculty recruitment. Likewise, boards should consider the quality of personnel, the means by which they are evaluated, the effects of evaluation on terms of employment, and the nature of institutional efforts to develop faculty and staff competencies.

Most colleges and universities have faculty and staff handbooks which set forth personnel policies and procedures. Boards should be certain that these are kept current and are followed. Where faculty or staff bargain collectively, boards should be aware of the content of collective bargaining contracts and be certain such contracts are adhered to. With or without a contract, most institutions have grievance procedures for staff. In some cases, grievance decisions can be appealed to the board. The number of grievances filed can be a warning sign of management shortcomings.

Strategic Issue #19: Providing compensation support for faculty and staff *(see Chart 3-8)*

QUESTIONS	KEY TRENDS AND INDICATORS
How has the institution compensated faculty and staff in the past?	Faculty compensation by academic rank
	Administrative staff compensation by level
	Staff compensation by position
How does this compare with the market?	Faculty compensation at selected comparable institutions
	Administrative staff compensation at selected comparable institutions
	Compensation for comparable staff positions in the local area
Has compensation kept pace with inflation?	Trends in faculty and staff compensation adjusted for inflation

Chart 3-8. Average Salaries of Full Professors, "Northern University" and Seven Peer Institutions, 1986.



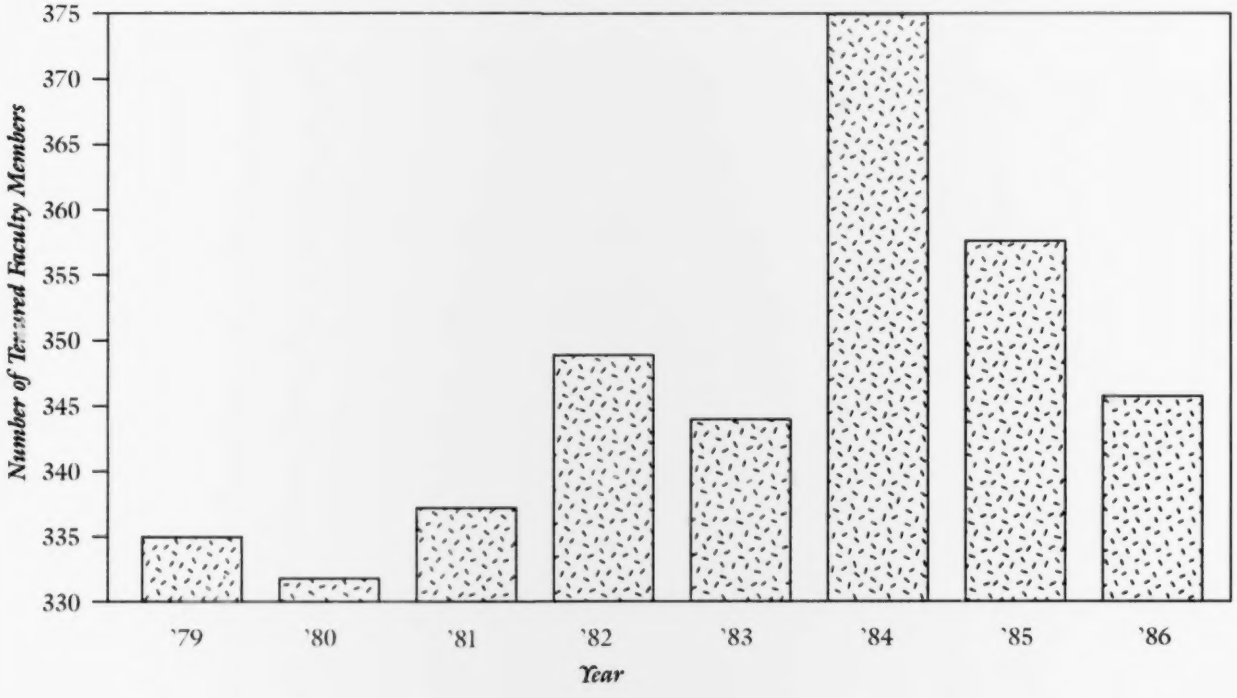
This chart compares average full-professor salaries at "Northern University" with those of seven peer institutions. Such data can be useful in considering Strategic Issue #19, providing compensation support for faculty and staff.

What fringe benefits does the institution provide for faculty and staff?	Health insurance programs
	Retirement programs
	Disability insurance programs
	Life insurance programs
	Tuition discount or waiver programs
How are merit and performance rewarded?	Merit compensation programs
	Performance appraisal programs

Strategic Issue #20: Hiring and retaining the right faculty and staff *(see Chart 3-9)*

QUESTIONS	KEY TRENDS AND INDICATORS
What are the institution's qualifications for faculty?	Faculty hiring criteria
	Percent of faculty with terminal degrees
What is the profile of the faculty, i.e. academic rank, tenure, and age? How much flexibility does the institution have in hiring new faculty?	Faculty by rank and by academic program
	Percent of tenured faculty by academic program
	Average age of faculty
	Number of faculty projected to reach a targeted age (65 or 70) in upcoming years
What is the pattern of faculty promotions?	Number of faculty promoted, by rank
Is the institution retaining its faculty?	Resignations of tenured faculty by academic program
	Surveys of intent to stay or leave
	Offers declined
What programs does the institution have for faculty development?	Faculty development programs
What are the institution's qualifications for staff?	Staff hiring criteria by service area (student affairs, finance, etc.)
	Percent of staff with appropriate degrees and experience by service area
Is the institution retaining its staff?	Staff resignations by area
What programs does the institution have for staff career development and promotion?	Staff career development programs
	Staff promotion programs

Chart 3-9. Number of Tenured Faculty Members at "Northern University," 1979-1986.



This chart shows the number of tenured "Northern University" faculty members in each year between 1979 and 1986. Such information is crucial to discussing Strategic Issue #20, hiring and retaining the right faculty and staff.

Strategic Issue #21: Maintaining equitable personnel policies and procedures

QUESTIONS	KEY TRENDS AND INDICATORS
Are personnel policies and procedures adequately communicated?	Review of the faculty and staff handbook
Is academic freedom adequately protected?	Review of academic freedom policies
Are the institution's grievance procedures adequate?	Turnover rate
	Number of grievances
	Legal fees spent on resolving personnel issues
	Surveys of job satisfaction and institutional morale
If the institution has collective bargaining agreements, does it negotiate effectively with unions?	Union attitudes toward management
	Management attitudes toward unions

For an institution to prosper, its administration must use management practices that are effective in setting and meeting the institution's goals and efficient in consuming resources. This involves much more than the narrow view of financial management, and administration of personnel policies. It includes a broader definition of management, comprised of long- and short-range planning, teamwork, effective communications, cost containment, and productivity. Trustees should ensure that this broader view of management prevails. The percentage of staff versus faculty is a crude but useful measure of administrative overhead. A trend toward a higher percentage of staff could signal imbalances in overhead growth at the expense of teaching faculty. Alternatively, it could indicate a forward-thinking investment to enhance the institution's resources and students.

The quality and quantity of faculty and staff efforts are directly affected by morale. Good communication, effective management, and shared governance promote support for the institution and its goals. The governing board should be aware of morale problems when they occur and be prepared to take steps to try to improve morale where necessary.

Strategic Issue #22: Participation in decision making

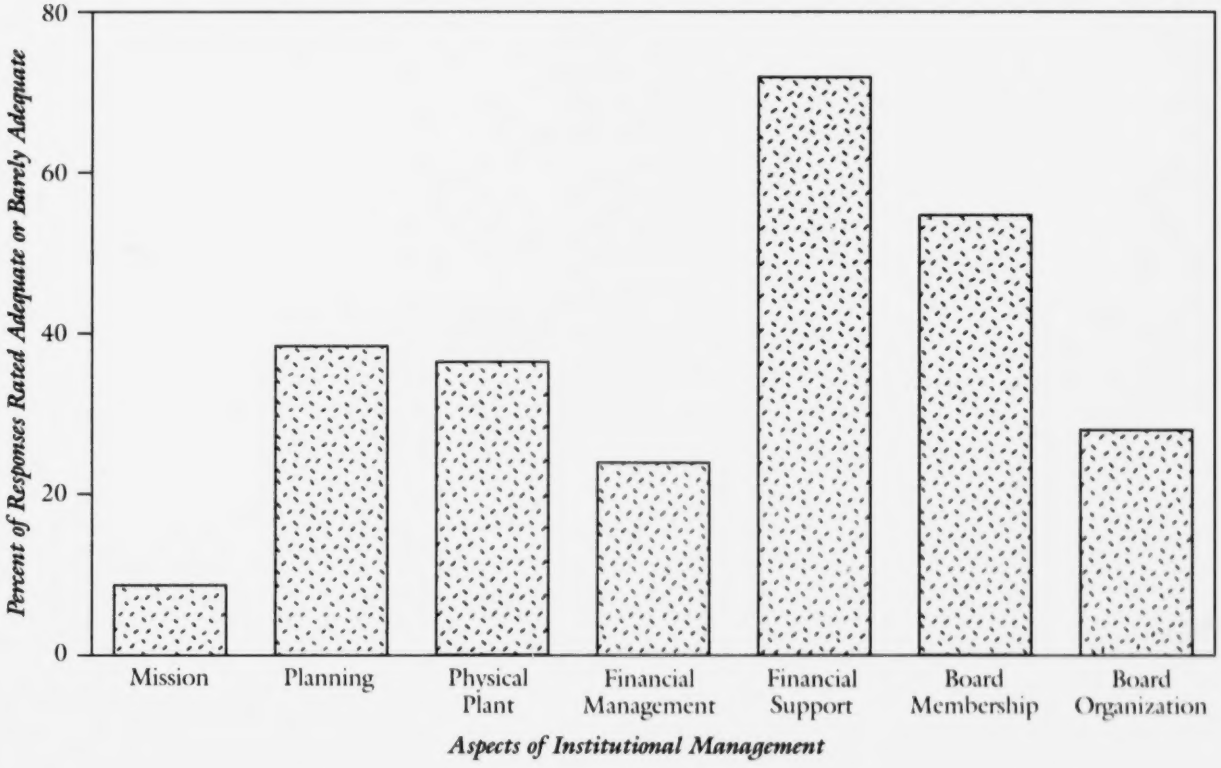
QUESTIONS	KEY TRENDS AND INDICATORS
What is the governance structure of the institution? What decisions and recommendations are made by governance bodies? How do faculty and students participate in decisions?	Governance documents
	Participation rates in student government elections
	Participation rates in faculty government elections
	Attendance at faculty government meetings
How do faculty, staff, and students feel about participation in decision making?	Faculty, student, and staff attitudes about participation in decision making

Strategic Issue #23: Efficiency and effectiveness of management practices *(see Chart 3-10)*

QUESTIONS	KEY TRENDS AND INDICATORS
Does the institution have an effective long-range or strategic planning process?	Review of long-range planning processes and results
Are short-range and projected plans effectively developed and executed?	Review of short-range and project planning processes and results

Do administrators work together effectively as a team?	Administrators' perceptions of teamwork
Are communications within the organization timely and effective?	Faculty, staff, and student perceptions of communications
Are faculty and staff productivity measured?	Productivity measurement programs
Are programs in place to ensure containment of controllable costs?	Cost containment programs
	Results of cost containment programs
	Institutional support as a percent of E&G expenditures
	Faculty as a percent of total staff
	Administrators as a percent of total staff

Chart 3-10. Assessments of Board Members at "Eastern Theological Seminary" Regarding Aspects of Institutional Management, 1986.



This chart summarizes the assessments of board members at "Eastern Theological Seminary" regarding adequacy of several aspects of institutional management. Such attitudinal data can be important in reaching conclusions about the efficiency and effectiveness of the institution (Strategic Issue #23).

Historically, higher education has been seen as a route to increased social and economic equality for women and minorities. In addition, some colleges and universities have played a significant role in encouraging equality of opportunity and affirmative action in admissions, hiring, and promotion. Boards should monitor the number and percent of women and minorities admitted to, and employed by, their institutions and the number of students retained and faculty and staff promoted.

Strategic Issue #24: Maintaining a healthy mix of faculty, staff, and students

QUESTIONS	KEY TRENDS AND INDICATORS
What has been the mix of faculty, staff, administrators, and students by gender and ethnic background?	Faculty, staff, adminstrators, and students by gender and ethnic background National trends in enrollment and employment of women and minorities
What are reasonable targets for this mix in the future?	Projections of faculty, staff, administrators, and students by gender and ethnic background
What steps are being taken to achieve the desired mix?	Action plans for affirmative action and equal opportunity

V. Academic Activities

Academic activities of colleges and universities can be classified as instruction, research, and public service, all of which are aided by academic support services. The mix and relative emphasis of academic activities flow from the mission of the institution, the ambitions of faculty and administration, the needs of students, and the desires of constituents. The board has a particular obligation to understand the institution's academic activities, to be certain that these activities support the mission, and to be comfortable with the norms and culture which underlie them.

Instruction is central to the mission of almost all academic institutions, because competent instruction is essential to a successful academic operation. Trustees should monitor issues of instructional quality. Peer review by outsiders, often conducted through accreditation processes, can be an effective means of assessing the quality of instruction. Boards should also encourage other methods of quality assessment, such as internal peer reviews, performance of

students in graduate schools and job placements, and student perceptions of faculty teaching.

Trustees should generally avoid examining *how* each course is taught, as this is a matter properly delegated to the faculty. Trustees should be involved in approving *what* is taught, in terms of major instructional program offerings.

In some cases, the curriculum comes to the attention of the board only when a significant new program is proposed, but trustees should also consider curriculum matters which relate to program review or discontinuance. Boards should remain open to the potential for offering new programs to new clienteles, and in some cases they should be prepared to move quickly. Prudence is called for, however, because major new program developments usually have implications in terms of finances and institutional mission. The board should consider whether new initiatives, such as offering graduate courses for the first time or authorizing new, career-oriented degrees, are compatible with the mission of the institution and whether the projected benefits in long-term operating revenues justify the start-up costs.

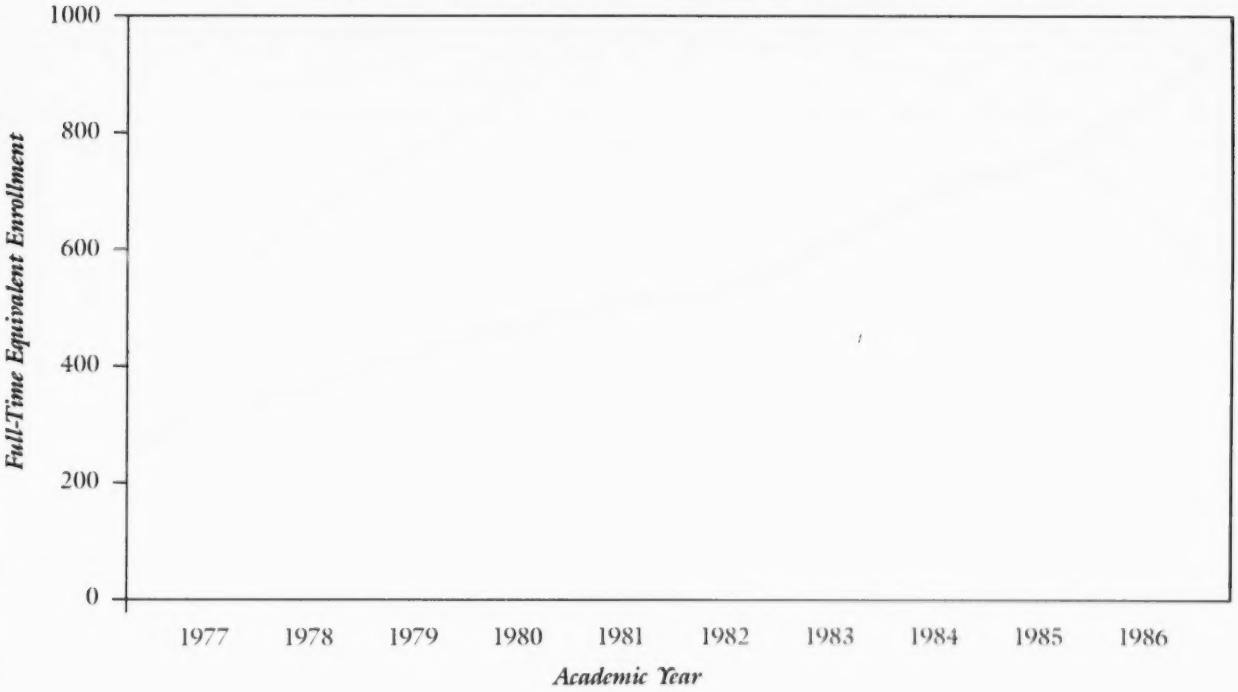
Boards are sometimes asked to approve plans to discontinue or reduce certain programs and even terminate faculty in the affected areas. Pressure for such decisions comes from low enrollments, high unit costs, program obsolescence, or political ideology (for example, the move during the late 1960s to discontinue R.O.T.C. programs). In the long-run, dropping programs that are no longer viable can contribute substantially to the institution's efficiency. However, this can also change its mission, affect morale, cause internal and external conflict, and save little or no money in the short run. The full range of the potential impact of program reduction should be carefully considered before proceeding. Here also, peer reviews can be a useful tool.

Strategic Issue #25: A viable mix of academic programs *(see Chart 3-11)*

QUESTIONS	KEY TRENDS AND INDICATORS
How have academic programs performed in the past? Which programs show sustained demand, and which ones (if any) are having difficulty with enrollments?	Head count enrollment by program
	Majors by program
	Student credit hours by program
What types of academic programs has the institution offered?	Undergraduate and graduate enrollments and student credit hours
	Off-campus student credit hours
	Non-credit programs, on- and off-campus
What degrees have been awarded?	Degrees awarded by level
	Degrees awarded by academic program

How much non-credit instruction is conducted by the institution?	Number of non-credit programs
	Number of participants in non-credit programs
	Participant contact hours in non-credit programs

Chart 3-11. Changes in Full-Time Equivalent Enrollment in Three Engineering Programs at "Western State University," 1977-1986.



This chart shows changes in FTE enrollment in three engineering programs at "Western State University" between 1977 and 1986. This information is important in considering Strategic Issue #25, a viable mix of academic programs.

Strategic Issue #26: Assurance of high quality instruction

QUESTIONS	KEY TRENDS AND INDICATORS
Has the quality of the instruction been reviewed regularly? Have the programs been favorably rated?	Reports of reviews of instructional programs
	Accreditation reports
How have the institution's graduates fared in the job market?	Graduate job placements

How have the institution's graduates fared in professional and graduate school admissions?	Professional and graduate school placements
What do students think about the quality of instruction?	Student surveys of instruction

Strategic Issue #27: Approval of new programs

QUESTIONS	KEY TRENDS AND INDICATORS
What unmet educational needs are there in the community?	Assessment of educational needs
What capital and start-up costs would be required for a proposed new program?	Capital and start-up budget for the new program
What operational revenues would be generated by a proposed new program over several years?	Projected operational revenues for the proposed new program
What long-term commitments of resources (such as new faculty) would be incurred by a proposed new program?	Human and physical resource requirements for the proposed new program
What operational costs would be incurred by a proposed new program?	Projected operational expenses for the proposed new program
Does the proposed new program fulfill or extend the mission of the institution?	Review of the new program in light of the mission

Strategic Issue #28: Discontinuance of existing programs

QUESTIONS	KEY TRENDS AND INDICATORS
What forces have prompted a recommendation to discontinue a program?	Enrollments and student credit hours in the program
	Costs of the program
	Quality of the program
	Currency of the program
	Political/ideological considerations
	Centrality to the mission of the institution
Will discontinuance of the program require faculty or staff terminations?	Projected effect of discontinuance on staffing

What impact will discontinuance of the program have on the operating budget over the short run and long run?	Projected operating budget without the program
What impact will discontinuance of the program have on morale?	Faculty, staff, and student attitudes and perceptions

Research is sometimes viewed by trustees in apposition, if not opposition, to teaching. In many undergraduate colleges and in all universities and graduate institutions, research is an essential component of effective education. Depending on the institution's mission, research will have more or less weight than instruction.

Research activities may include research sponsored and paid for by outside organizations, institutionally funded research, or unfunded research undertaken by an individual faculty member. Effective research usually requires management, which results in extra costs to the institution. Boards should ensure that fair overhead rates are built into sponsored research activities to ensure recovery of these costs.

Boards should also be concerned with the quality of research. They may want to assess quality relative to peer institutions or institute peer reviews of research programs.

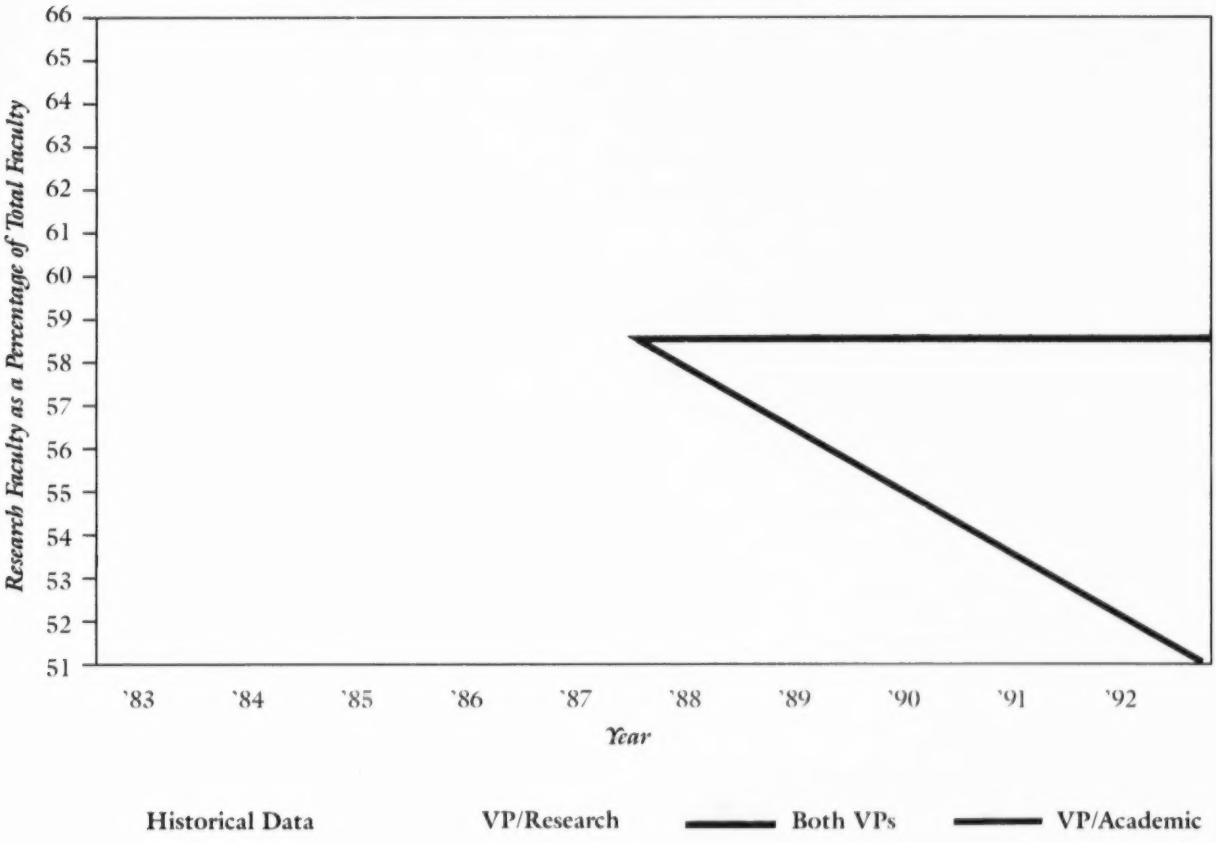
The nature of the research conducted by a college or university can fulfill or conflict with the institution's mission; consequently, the board should be concerned with broad research priorities. Research can also become a controversial issue, as it has in the opposition of faculty on some campuses to some forms of defense and biological research.

Strategic Issue #29: Appropriate balance between instruction and research *(see Chart 3-12)*

QUESTIONS	KEY TRENDS AND INDICATORS
What is the financial emphasis on research versus instruction?	Research expenditures as a percent of E&G expenditures
	Instruction expenditures as a percent of E&G expenditures
How much faculty time is spent on research?	Percent of faculty time devoted to research of any kind
	Amount of faculty time spent on research of any kind
How much does the institution spend on faculty research?	Faculty research and development expenditures

How much research is conducted by the faculty that is sponsored by Federal and state governments, corporations, or foundations?	Revenues for research sponsored by Federal and state governments, corporations, and foundations
Are the indirect costs of sponsored research fully covered?	Indirect cost recovery (overhead) rate charged for sponsored research
	Revenue from indirect cost recoveries
	Indirect cost studies for research activities
Is sponsored faculty research compatible with the mission of the institution?	Review of sponsored research in light of the mission

Chart 3-12. Historical and Projected Research Faculty as a Percentage of Total Faculty at "Northern University," 1986.



This chart shows historical and projected research faculty as a percentage of total faculty at "Northern University." The projections include those favored by the vice president for research and the vice president for academic affairs, as well as a projection which combines both of these. Such data can be helpful in discussing Strategic Issue #29, appropriate balance between instruction and research.

Public service can be broadly construed. Much of the public service sponsored by colleges and universities takes the form of academic program offerings such as continuing education and non-credit activities, cultural and athletic events, and curriculum-related social service activities. Activities in the latter category range from day-care centers to small business incubators. In some cases, public service extends beyond academic offerings. For this reason, non-academic public service activities are considered in Section IX of this chapter. *The economic impact of a college or university on its community is an important aspect of the public service activities of an institution.* (Understanding the extent of this impact is helpful in responding to requests by communities for payments by institutions in lieu of taxes.)

Public service efforts sometimes generate additional revenue for the institution, and sometimes they incur unanticipated costs. The board should consider the potential costs and benefits of major new public service programs.

Problems may arise from a lack of clearly defined policies governing faculty consulting, conflicts of interest, and priorities for use of faculty time. The public service commitment of an institution should be clearly defined in the institution's mission, goals, and priorities.

Strategic Issue #30: Appropriate public service activities

QUESTIONS	KEY TRENDS AND INDICATORS
What public service activities are conducted by the institution and by individual faculty and staff?	Inventory of public service programs and activities
What are the costs of public service programs?	Public service expenditures as a percent of E&G expenditures
What financial impact does the institution receive from public service programs?	Surplus or deficit from public service programs
What are the policies governing the faculty's participation in public service programs?	Review of public service compensation and consulting policies
Do public service activities conducted by the institution advance the mission?	Review of public service activities in light of the mission
How well are public service programs communicated within the institution and to the community?	Institution and community surveys
How do the participants rate public service programs?	Participant evaluations

What is the economic impact of the institution on the community?	Economic impact study

Academic support services include key learning resources, most conspicuously the library and computer equipment, as well as a host of other activities which promote the academic mission.

Boards may be asked to approve library renovations or new computer equipment, and other aspects of academic support services. Academic activities depend on support services to be effective, and when resource shortages occur budgets are too often balanced at their expense. For example, annual expenditures for library books and periodicals have been particularly vulnerable. Boards should monitor the percentage of total expenditures devoted to academic support services.

Strategic Issue #31: Adequacy of learning resources

QUESTIONS	KEY TRENDS AND INDICATORS
How adequate is the library or learning resource center?	Number of volumes and new acquisitions
	Volumes per student
	Number of library staff
	Expenditures for books and periodicals
	Expenditures for other learning resources
How adequate is academic computer support? Are computer hardware, software, and telecommunications systems up-to-date?	Number of personal computers or terminals available for faculty and students
	Rates of computer usage by faculty and students
	Time students and faculty spend using institutional computers
	Number of faculty and students with personal computers or terminals
What has been the pattern of funding for academic support services?	Academic support services as a percent of E&G expenditures
	Learning resources as a percent of E&G expenditures
	Academic computing as a percent of E&G expenditures

VI. Student Affairs

Student affairs are the support services and activities provided for students beyond the classroom (see discussion of *Auxiliary Activities* on page 52 for additional information on student support services). Student life beyond the classroom is critical to the nature and value of the educational experience. Boards of trustees are generally responsible for the overall welfare of their students. Recognizing that students spend more time out of class than in class, student affairs administrators have developed a body of knowledge about student life and a practical discipline based on student development theory. In recent years, the application of such theory and its reflection in the improved quality of student life (or the lack of it), supported by institutionally-provided student services, has become a competitive edge in the recruitment and retention of students.

Student services include a wide variety of support functions that enhance the quality of student life. The services most trustees are aware of include such things as student center facilities, housing, food services, health services, intramural sports, religious services, counselling, and career planning and placement. In addition, student services includes support for student governance and the student judicial system. Other student services can include minority student programs, cultural centers, tutorial and learning centers, community service organizations, career development centers, and alcohol and drug abuse support programs.

Students apply classroom learning to their lives on campus. The connection between the curriculum and the extra-curriculum is especially important in the areas of ethics and values. Ethics and values are enhanced in student government, clubs, athletics, and the student judicial system, as well as in academic life.

Boards should monitor the type and quality of student services, as well as the proportion of expenditures spent on student services to ensure that they do not decline over the years, especially if there is a need for more student support for the institution to be competitive.

Strategic Issue #32: Quality of Student Life

QUESTIONS	KEY TRENDS AND INDICATORS
Are students happy with the quality of student life?	Student quality of life survey
How adequate is the funding for student services?	Student services expenditures as a percent of E&G expenditures
How large is the student services staff?	Number of student services employees

What services are provided through student services?	Inventory of student services
How effective are these services at meeting student needs?	Student services surveys
What other services are provided for students?	Inventory of other student services

Student activities are functions or events sponsored by the institution, or by the student government, primarily for the benefit of the students. Most institutions collect student activities fees which go directly to the student government to allocate them for such activities as the student newspaper, cultural events, lectures, and concerts. Trustees should be aware of how much freedom students have with these funds, and they should be sure that the funds are responsibly administered by the student government.

Occasionally, a student activity is perceived by the trustees as reflecting badly on the institution. Care should be taken to communicate with students regularly concerning student activities so that trustees and student authorities can develop a clear understanding of both the moral and public relations issues involved in student activities.

Strategic Issue #33: Responsible expenditure of student activities fees

QUESTIONS	KEY TRENDS AND INDICATORS
What policies govern the use of student activities fees?	Review of student activity fee policies
What activities are conducted by and for students? Should other activities be conducted?	Inventory of student activities

VII. Intercollegiate Athletics

Intercollegiate athletics may have a major impact on institutional morale and image that carries over to enrollment and development. Athletic programs may be considered an auxiliary activity in that they earn gate receipts and attract donations and they are usually separately accounted for. In some institutions, intercollegiate athletics are administered through separate corporations.

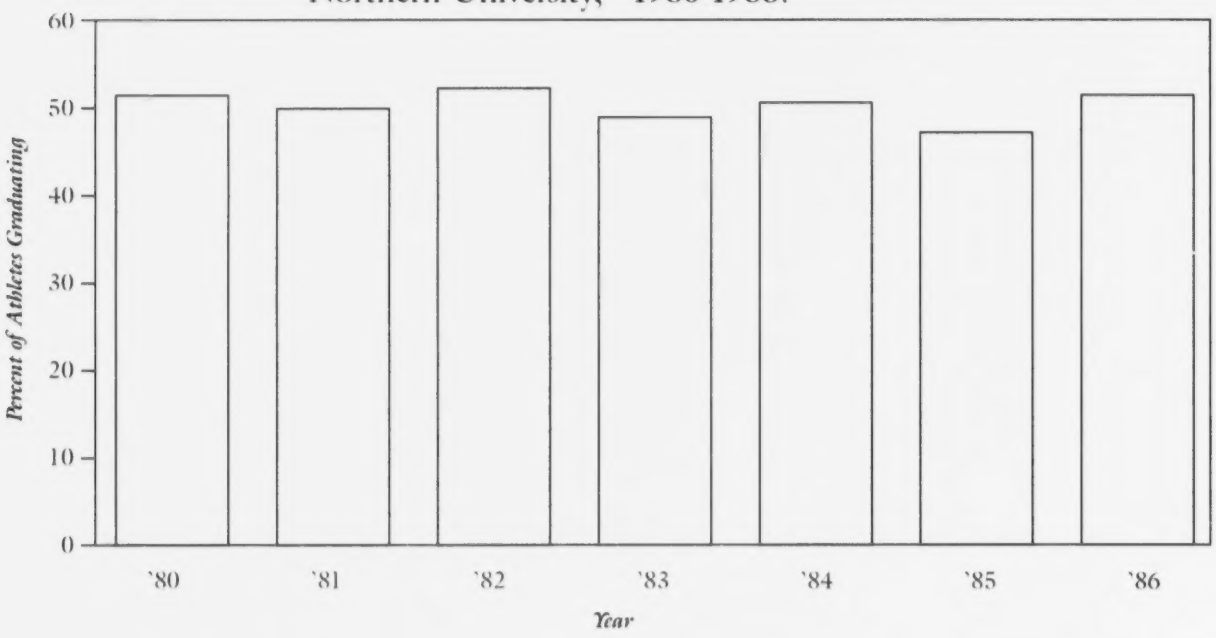
Standards and policy for intercollegiate athletics are established by

the National Collegiate Athletic Association (NCAA), the National Association of Intercollegiate Athletics (NAIA), the National Junior College Athletic Association (NJCAA), and regional athletic conferences. Boards of trustees should ensure that their institutions abide by NCAA, NAIA, NJCAA, and regional conference guidelines and that, generally, these activities do not take funds from academic and other central functions of the institution. Boards should also be concerned about the relationship between intercollegiate athletics and institutional mission, image, and visibility. Within the past few years, graduation rates and remedial and developmental programs designed especially for student athletes have become key issues for board attention.

Strategic Issue #34: Enhancement of institutional image and visibility *(see Chart 3-13)*

QUESTIONS	KEY TRENDS AND INDICATORS
How successful have intercollegiate athletics been?	NCAA, NAIA, NJCAA, and conference rankings in all sports
	NCAA, NAIA, NJCAA, and conference rankings in selected sports
	Ticket demand

Chart 3-13. Changes in Graduation Rates of Intercollegiate Athletes at "Northern University," 1980-1986.



This chart shows trends in graduation rates of intercollegiate athletes at "Northern University" between 1980 and 1986. These trends can be useful in assessing the degree to which Northern's athletic programs contribute to enhancing institutional image and visibility (Strategic Issue #34).

QUESTIONS	KEY TRENDS AND INDICATORS
Have athletics contributed to the image and visibility of the institution?	Media studies
Has the institution complied with NCAA standards and policy?	Compliance reviews of NCAA, NAIA, NJCAA, and conference standards and policy
What policies govern remedial and developmental academic programs for athletes?	Review of developmental program policies
What is the academic performance of student athletes?	Graduation rates of student athletes compared with student body as a whole Number of athletes on academic probation

Strategic Issue #35: Self-sufficiency of athletics

QUESTIONS	KEY TRENDS AND INDICATORS
Have intercollegiate athletics supported or detracted from the institution's financial position?	Athletic surpluses or deficits Capital expenditures for athletics not drawn from athletic funds Incremental enrollment and development attributable to intercollegiate programs

VIII. Physical Plant and Equipment

Governing boards have a responsibility to ensure that the institution's physical plant and equipment are adequate enough to support its mission. Boards are concerned primarily with sound stewardship of plant and equipment. Issues include appropriate financing, proper control and upkeep, efficiency, cost containment, and campus appearance. An attractive campus can be a major factor in recruiting students, and reasonably up-to-date equipment is necessary for teaching and research in many fields.

Maintenance and renovation of the physical plant should ideally be financed by the operating budget, or by funds set aside for this purpose. Many campuses have older buildings in need of renovation. Physical plant issues sometimes come to the board's attention, only after deferred maintenance has become a serious problem. Trustees should track the funds spent on renovations, as well as the costs of maintenance staff.

Decisions about utilization of space are usually reserved for the administration, but the board should be aware of trends in the mix of space allocated to academic, research, administrative, and student affairs functions.

Energy costs, which are affected by the design, construction, and utilization of the physical plant, skyrocketed in the 1970s. Colleges and universities are energy intensive and many responded with energy conservation programs. Energy costs have increased more slowly in the 1980s, and in some cases, even declined. Some institutions have installed very sophisticated new technology for monitoring and managing energy consumption. Although the expense of installation is high, the expected cost savings are higher.

Boards should monitor trends in physical plant operating expenses and call for cost containment measures when necessary. Particular attention should be paid to energy and maintenance costs, both in dollars and in share of the budget.

Insurance and risk management are also associated with the physical plant. The board should ensure that the institution has adequate coverage to preserve the value of the plant and to protect against liabilities.

Strategic Issue #36: Adequate and timely maintenance and renovation of physical plant

QUESTIONS	KEY TRENDS AND INDICATORS
What is the condition of the physical plant?	Deferred maintenance study
What expenditures (if any) are required to correct deficiencies?	Deferred maintenance study
How much has been spent on operation and maintenance of the physical plant?	Expenditures for operation and maintenance of physical plant
	Operation and maintenance of physical plant expenditures as a percent of E&G expenditures
How large are maintenance reserves for upkeep of the plant?	Reserves for upkeep of physical plant

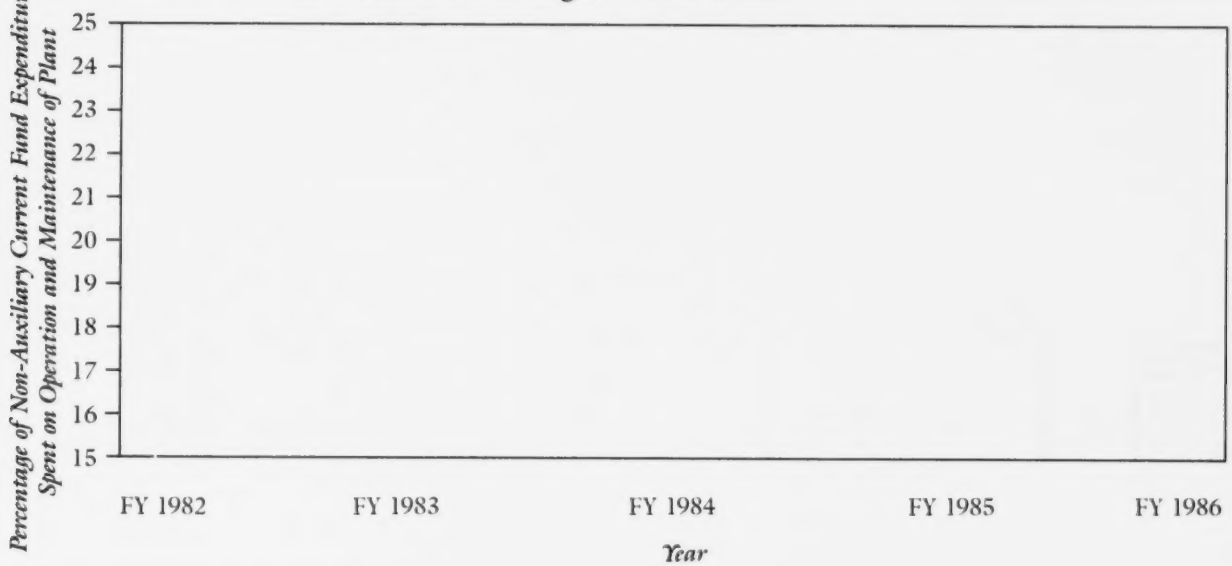
Strategic Issue #37: Allocation of space

QUESTIONS	KEY TRENDS AND INDICATORS
What is the procedure by which space is allocated?	Review of policies and procedures for allocation of space
How much space is allocated to academic, research, administrative, and student affairs functions?	Square feet of space allocated to academic, research, administrative, and student affairs functions

Strategic Issue #38: Controlling physical plant costs *(See Chart 3-14)*

QUESTIONS	KEY TRENDS AND INDICATORS
What are the trends in physical plant costs?	Plant operation and maintenance costs per FTE student
What are the trends in energy costs?	Budget share expended on energy
Is there an energy conservation program in place?	Trends in energy consumption Cost savings
What are the trends in labor costs for maintenance of the plant?	Labor expenditures for maintenance of the plant
What is the pattern of energy costs for heating and cooling air and water?	Energy expenditures
What steps need to be taken to keep costs to a minimum?	Energy and labor costs
How well is the institution insured against risk from fire and other damages?	Insurance coverage

Chart 3-14. Changes in Percentage of Non-Auxiliary Current Fund Expenditures Spent on Operation and Maintenance of Plant at "Midwest College," 1982-1986.



This chart shows trends in costs of operating and maintaining "Midwest College's" physical plant between 1982 and 1986. Specifically, plant costs are shown as a percentage of total non-auxiliary current fund expenditures. Such trend information can be important in considering Strategic Issue #38, controlling physical plant costs.

Rapidly advancing technology is making institutions more capital intensive and is putting enormous financial pressure on colleges and universities to purchase new equipment for instruction, research, academic support, and administrative services. Ever increasing faculty and student demand for access to computers makes investments in additional capacity a virtual necessity. While in earlier decades the leading edge of new technology in many fields was found in university research facilities, boards now confront the reality that faculty are hired away by industry with the promise of working in better equipped laboratories than campuses offer.

The board should ensure that the institution's equipment is up-to-date and that the acquisition program supports the academic and research programs and administrative requirements of the institution. The equipment should be properly accounted for in a current inventory, and it should be properly maintained.

Currently, relatively less money is available under research grants and contracts to purchase equipment and more of the purchases are made with borrowed funds. As a consequence, the financing of major equipment purchases now comes more frequently before the board.

Strategic Issue #39: Effective management of equipment

QUESTIONS	KEY TRENDS AND INDICATORS
What equipment does the institution own?	Equipment inventory by functional area (instruction, research, administration, etc.)
What equipment should the institution have that it doesn't?	Inventory of equipment requests
What has been spent on equipment?	Equipment expenditures by category
	Equipment as a percent of E&G expenditures
What are the sources of funds for equipment?	Expenditures on equipment by revenue source
How is equipment accounted for?	Property control policies and procedures
To what extent is the equipment up-to-date? What is its technical obsolescence?	Equipment aging studies (average years owned, by category)
	Review of equipment by experts
What measures are taken to reduce the costs of equipment?	Provisions for sharing equipment
How will new equipment be financed?	Financial plans for purchase of new equipment
	Pooled debt for equipment

IX. Auxiliary Activities

Auxiliary activities are discrete business units which support the mission and goals of the institution. These units can be considered within the regular accounting systems of the institution, or they can be set up as separate corporations, usually with overlapping but separate boards. Sometimes auxiliaries break even, sometimes they bring additional revenue to the institution, and sometimes they are a costly drain on the other institutional resources.

For this publication, auxiliary activities have been separated into two distinct groups: auxiliary services and auxiliary enterprises. Auxiliary services include those traditional business activities operated by the institution to support students and faculty. Auxiliary enterprises were added to accommodate the growing trend among colleges and universities to establish new entrepreneurial units with the goal of generating additional revenues for the institution.

Auxiliary services are those functions set up as independent business units which are necessary to support the central mission of the institution. They include the bookstore, housing, food service, and perhaps research institutes. In most cases, the intention is to enhance the quality of student life by providing needed services at the lowest possible cost to students. For this reason, the financial goals set for auxiliary services are that they at least break even with respect to direct revenues and costs. Outside vendors are often used to provide some of these services.

Because these units must be overseen by the college or university, they involve indirect costs which are sometimes difficult to measure. Whenever possible, these indirect costs should be tracked and recovered. Trustees should monitor these units regularly to be sure that the appropriate goals are met and that the auxiliary services are not a drain on other institutional activities.

Strategic Issue #40: Adequacy of administrative support services set up as auxiliaries

QUESTIONS	KEY TRENDS AND INDICATORS
What surpluses or deficits have been contributed by each auxiliary service?	Surpluses or deficits, by auxiliary service
Are students and other users satisfied with the services provided by these auxiliaries?	Student and other user surveys, by auxiliary service

Auxiliary enterprises can be established as independent business units with the intention of bringing additional revenues to the

institution. Such enterprises as travel agencies, nursing homes, and radio stations fit into this category. The trend in recent years has been toward establishing more auxiliary enterprises and looking to them for significant contributions to the institution's revenue. In some cases, these activities have been seen as unfair competition by local businesses and may be discouraged by new statutes restricting unrelated business activities by colleges and universities.

Auxiliary enterprises are usually established as distinct corporations. Boards of trustees should carefully consider their relationship to the boards of such public service activities and then should ensure that they extend the mission of the institution. Trustees should also monitor revenues and expenses to ensure that the enterprises are contributing to and not detracting from the financial health of the college or university, and that unrelated business income does not exceed tax guidelines.

Strategic Issue #41: Utilization of auxiliary enterprises as sources of revenue

QUESTIONS	KEY TRENDS AND INDICATORS
What surpluses or deficits have been contributed by each auxiliary enterprise?	Surpluses or deficits, by auxiliary enterprise
Are the auxiliary enterprises genuine public services consistent with the mission of the institution?	Review of auxiliary enterprises in light of the mission
How are new auxiliary enterprises to be financed and capitalized?	Business plans, capital budgets, and operational projections of proposed auxiliary services
Are unrelated business income guidelines followed?	Amount and percent of unrelated business income
How do local businesses feel about the institution's auxiliary enterprises?	Surveys of the local business community

X. Institutional Mission

No area is more important than the mission of a college or university. The mission statement should embody the vision held for its future by the board of trustees, government agencies (in the case of public institutions), the president and staff, the faculty, and other constituents. The mission of any institution of higher education reflects the proper balance for that institution of a concern for the individual development of students, the advancement of knowledge, and service to the community—or for instruction, research, and public service.

The institutional mission, when it is well prepared and well understood, incorporates and reinforces the identity of the institution and specifies its distinctive features as compared to other institutions. Conversely, the lack of a clear statement of mission can contribute to a loss of institutional identity and purpose. These issues come to the fore in times of crisis. Institutions under threat, particularly those in financial difficulty, sometimes face a choice between survival and maintaining the essence of their mission. While missions should be changed to reflect current realities, changes should be made only after full and open discussion and rational consideration of alternatives.

Mission is presented here as one of the critical decision areas, but it often encompasses the others. Decisions made in other critical decision areas can often alter the institution's mission and change its purpose. For example, an undergraduate institution changes its mission when a decision is made to start a master's degree program. Enrollment plans and student financial aid policy can enable an institution to become increasingly more or less selective. Changes in the mission may be the inadvertent cumulative result of a series of small, not carefully considered decisions. Often, pressures for changing the mission are initiated indirectly through other decision areas. A board should always consider carefully the impact of other policy decisions on the institution's mission.

A distinction sometimes needs to be made between an institution's true mission and the publicized mission or role and scope statement. These formal statements sometimes fail to express clearly the essence of the institution. Mission statements should be reviewed and updated from time to time to ensure that they are current, clear, and accurate. A proper mission statement should be broad enough to empower the board and the administration to embark on desirable activities, but it should also be specific enough to offer a clear sense of vision, direction, and focus.

Strategic Issue #42: Responsiveness of the mission to changes in the external environment

Note: This section is formatted differently from those above. The critical decision areas, strategic issues, questions, and key indicators and trends presented above are common to all or most colleges and universities. Trustees will find that the missions of their respective institutions vary widely, and that these distinctive differences will influence the choice of strategic issues to consider, the questions to ask, and the key indicators to track. Institutional missions can be categorized by type of institution, and the type of institution will partly define the most important strategic issues beyond those stated above. This section presents suggestions for strategic issues to consider by type of institution. Because of the wide variety of institutional missions, no attempt has been made to list questions and key indicators for each strategic issue.

Public Institutions
Adequacy of state funding
Growth of private funding
Ability to meet enrollment targets
Ability to cut budgets if required
Public support
Good governmental relations

Independent Institutions
Ability to meet enrollment targets
Strategic pricing
Market position
Growth of endowment and endowment income
Availability of student financial aid
Cost control
Good alumni relations

Single Gender (Men's/Women's) Institutions
Effective communication of the rationale for attending a single gender institution
Supportive environment for students
Opportunities for student leadership development

Religious Institutions
Effective communications of the rationale for religious emphasis
Supportive relations with the denomination
Opportunities for student leadership development

Research Institutions
Market share of sponsored research
Peer perceptions of research quality
Relations with industry
Up-to-date facilities and equipment
Incentive for research
High quality faculty and researchers
Ability to attract graduate students

Professional Schools
Relations with the profession
Peer perceptions of quality
High quality faculty
Ability to attract professional students
Test scores and pass rates on professional qualifications examinations

Liberal Arts Colleges
High quality teaching faculty in liberal arts disciplines
Placements in graduate and professional schools
Well-equipped libraries
Honors programs
Fine arts facilities
Low student/faculty ratio
Personal attention to students

Residential Institutions
Sufficient residence halls
Quality residence hall space
Safe location

Open Access Institutions
Effective linkages with high schools
Effective academic assessment of students
Student support services
Sufficient financial aid
Clear exit standards

Selective Institutions
Academic reputation
High quality teaching faculty
Sufficient merit-based student financial aid
Ability to compete for high-achieving students
Admissions drawing power

Historically Black/Predominantly Minority Institutions
Ability to compete for students and faculty with other types of institutions
Availability of targeted federal funding
Sufficient need-based student financial aid
Effective communication of rationale for ethnic emphasis

Urban/Commuter Institutions
Responsiveness to non-traditional student needs
Responsiveness to commuter student needs
Responsiveness to community needs
Competitive pricing
Flexible hours
Faculty with practical experience
Success at placing graduates in jobs
Transportation
Parking

CHAPTER 4

Taken as a whole, the strategic indicators presented in Chapter 3 can provide an overwhelming amount of information. Your board's task is to identify critical decision areas and then request information that is pertinent to those decisions. Effective use of strategic indicators involves following a step-by-step procedure for identifying key information and considering it during the decision-making process. This also requires careful consideration of methods of analyzing data and of the roles and responsibilities of board members, the president, and the senior staff.

As a trustee, you will be asked to participate in major decisions about recommendations made by the president or board committees. Let's say, for example, that a board committee recommends a six percent increase in tuition for next year. As a board member, you are asked to approve the tuition increase, and you should be confident that all the pertinent questions have been asked and answered before making the recommendation. What are the right questions? What information does the board need to make the decision? This handbook is designed to help you ask the right questions and consider the right information in making decisions.

The following procedure is recommended as a way to help your board use strategic indicators effectively. Steps outlined should be undertaken by the board or one of its committees and *not* by individual trustees.

1. Select an issue that currently faces your board; or select one that you think *will* or *should* face the board in the future.
2. Review the strategic issues listed on the following pages and choose the issue that most directly addresses the problem, decision, or issue that you selected in Step 1.
3. Refer to the appropriate section of Chapter 3 and review the questions and the key indicators and trends listed there.
4. Add questions and indicators of your own, if some occur to you which are not listed.
5. Work with the president and staff to gather data for the

strategic indicators you specify, and share this data with the board or appropriate committee.

NOTE: It is almost always a good idea to request data for the last ten (or at least five) years, so you can see the trends over a period of time. If you would like to see your institution compared to others, you should name the comparison institutions. Trends and comparisons are discussed in more detail below.

6. Analyze the data you receive by asking the following questions:
   - What do these strategic indicators and trends show?
   - What did we already know? What information is new?
   - What are the implications of this information for the problem, decision, or issue under consideration?
7. Formulate alternative courses of action, based on the information under consideration.
8. Discuss and debate alternatives.
9. Recommend an alternative for adoption by the board.

This procedure will need to be adapted to the normal operating methods of your board and president. Part of the procedure involves individual work in identifying issues, part of it involves staff work in gathering and presenting information, and part of it involves working in group sessions with the board or a committee to consider the information and consider recommendations.

Key strategic indicators are instruments or tools for trustees to use in assessing the status of their institutions and making decisions about its future. As with any tools, the method of using them can enhance the effectiveness of the result. This section contains some suggestions about methodology.

Types of Data. The data you will receive by using strategic indicators will be objective or subjective and "hard" or "soft." Objective data is not always the same as "hard" data, and "subjective" data should not always be equated with "soft" data. A comprehensive view of such data looks like this:

	"Hard" Data	"Soft" Data
Objective Data	Facts; Financial and Operational Data (Numbers)	Estimates; Projections and Forecasts (Numbers)
Subjective Data	Perceptions, Attitudes, Opinions measured by valid and reliable instruments (Numbers)	Qualitative Reports (e.g., Accreditation Reports) (Words)

Note that subjective and "soft" data may be very revealing. In fact, as in the case of accreditation reports produced by informed peers, such data can be extremely reliable.

Also note that three of the categories of data result in numbers. These numbers can be presented in several different ways:

1. As *simple numbers* (e.g., the number of students graduating from a particular program)
2. As a *percentage of some total*
3. As a *ratio* of two numbers (e.g., students per faculty member)
4. As a *percentage change* from some previous year
5. As *dollars*
6. As a *score* (e.g., SAT scores)

In using strategic indicators, it is important to keep in mind the nature of the data you are considering and the type of numbers used.

Comparisons. Any number or piece of data taken in complete isolation is almost meaningless. The appropriate question is always: "Compared to what?" For example, to say that your institution's enrollment last fall was 3,728 has little significance, unless you consider that number in comparison to:

- Last year's enrollment
- The enrollment over the last ten years
- The enrollment you expected or hoped for this year (your goal)
- Your enrollment as compared to that of other institutions in the same markets
- Your enrollment as compared to that of other institutions similar to yours in different markets
- Your enrollment as compared to the average of your class of institutions
- Your enrollment compared to demographic trends in the area you draw students from
- The tuition revenue you expect to generate from this enrollment
- The dormitory beds needed to support this enrollment
- A host of other related issues

Each of these points involves a different kind of comparison or consideration of the piece of data (i.e., your enrollment last fall) in relation to other information. Each type of comparison is discussed below.

Trends. Last year's enrollment and the enrollment over the last five or ten years reveal trends in the data you are considering. Trends offer you a historical basis for understanding current information. They often reveal the impact of environmental conditions, the impact of other indicators, or the impact of previous decisions. Trends provide a much broader perspective on any given issue.

Trend data should be requested and analyzed whenever it is available. The first and most important comparison to make is the comparison with what has happened in your institution in the past.

Goals and Objectives. The enrollment you expected or hoped for this year suggests comparing data to your goals and objectives. Sometimes, these goals and objectives are explicit, shared, widely

understood, and measurable. More often, goals are assumed and expectations are not made clear and specific.

Trends are useful in setting realistic goals and expectations. If your enrollment has steadily declined—from 3,000 ten years ago to 2,500 this year—you can hardly expect to achieve an enrollment target of 3,500 next year.

Trend Analysis. Depending on your institution's goals and objectives, you will want to see some trends increase and others decrease. If achieving greater ethnic diversity among the faculty is a goal (and your institution in not predominantly ethnic), you will want to see the number and percent of minority faculty increase over the years. If cost containment is an issue, you will want to see overhead expenditures (institutional support) decline.

When examining a trend, it is extremely important to consider which direction you would like to see the trend move—toward an increase or decrease. Trend directions are especially tricky when dealing with ratios and percentages. A declining student/faculty ratio could represent a desirable *increase* in instructional quality or an undesirable *decrease* in faculty productivity. Which of the two is indicated by the trend depends on the goals and objectives of your institution in this area.

Market Comparisons. The trend in your enrollment as compared to that of another institution in the same market involves market comparisons. Institutions which compete for the same students are by definition in the same market. Such institutions may have little else in common. For example, an urban, four-year, state-supported institution might compete for students with a community college in the same city, a private liberal arts college nearby, and a comprehensive state university in another city. To compare any of the trends for your institution to others in the same market, you need to identify the institutions and select appropriate points of comparison.

Peer Comparisons. The trend in your enrollment compared to other institutions similar to yours suggests peer comparisons. Peer institutions are those similar to yours in mission, size, and student body, whether or not they are in the same market.

To compare your institution to a set of peers, you need to select groups of institutions similar enough to yours in mission, size, and student body to permit valid analysis. Typically, such a list will include institutions that you want to be more like. But the list should also include a few institutions that you have outpaced, so you can examine the comparisons on both ends of the spectrum.

Peer data are available through public sources such as the Federal government's Higher Education General Information Survey (HEGIS). Also, many groups of peer institutions voluntarily share data on a regular basis.

Norm Comparisons. The trend in enrollment as compared to the average of institutions of your type suggests comparisons with a norm or standard. For example, a community college's enrollment trend may

have shown a distinct increase over other community colleges in that state. Averages and norms are provided by some state agencies and local and national higher education associations.

Environmental Comparisons. The trend in your enrollment as compared to demographic trends in the area you draw students from involves environmental comparisons. You may want to compare the trend in your enrollment to the number of high school graduates or 18-22 year-olds in your immediate area. Environmental comparisons usually involve demographic, educational, and economic data, collected on a national, regional, state, and local basis.

Impact Analysis. Calculating the tuition you expect to generate from this year's enrollments entails an analysis of the impact of one indicator on another. Past trends can be very helpful in determining the possible range of such impacts. In analyzing impacts, it is very important to keep clearly in mind which indicators impact which others. Tuition prices, for example, may have an impact on both enrollments and tuition revenue.

Projections and Forecasts. Projections and forecasts involve estimates about the future, based partly on data from past trends. Goals and objectives can sometimes be reduced to projections and forecasts for the future. Forecasts involve estimates of the future based on past trends alone. Projections include "what if" scenarios and possibilities, assuming some intentional change of direction or a new target.

Resource Allocation Models. Resource allocation models take projections and forecasts and examine their financial consequences. They can estimate both revenues and costs.

Presentation Methods. Trend data is best presented in charts and graphs, because these visual pictures offer rapid comprehension and promote useful analysis. The numbers illustrated should always be provided as well. Graphs and charts should illustrate rather than exaggerate the numbers. They should also be simple, clear, and uncluttered with an excessive amount of information.

While trustees should be aware of methods for collecting and analyzing data they should not be directly involved in the details of data collection and presentation. This suggests that the roles and responsibilities of board members, the president, and the staff regarding strategic assessment should be clearly delineated.

The Board. The Board's role is to set policy, identify upcoming issues, make decisions, and help solve problems. This may involve requesting data and recommendations from the president regarding strategic indicators. Board members should not normally request information from staff members without first clearing requests with the president.

The President. Presidents are selected by boards to provide leadership for institutions. They play a key role in identifying policy alternatives, recommending policy decisions, identifying upcoming issues, making administrative decisions, and solving problems. To fulfill this role effectively, they must continually provide the board with information, both on their own initiative and by request.

The Senior Administration. The role of the senior administrative staff is to offer leadership for strategic assessment and to provide the information requested by the president and board on a timely basis. They also offer the additional knowledge and insight they have acquired by virtue of expertise. All information should be provided in a manner which will facilitate better understanding of the issue under consideration.

Board Committees. In some cases, senior staff members work with board committees, and information is exchanged directly between the staff and the board. This practice would also apply to strategic indicators. However, the president should always be kept informed about the data exchanged.

A Team Effort. Board members, the president, and the staff must work together in a team effort for the strategic indicator approach to be effective. Understanding and respecting one another's roles is important, but even more important is a shared commitment to work toward common goals.

The ten inserts included in this pocket restate the critical decision areas, strategic issues, questions, and key trends and indicators described in the book's text. The reader may wish to use the inserts as outlines while reading the book, refer to them later as summaries of the book's contents, or duplicate and use them to guide board or committee discussions of critical decision areas and strategic issues.

STRATEGIC DECISION MAKING

I. Financial Affairs

FINANCIAL PERFORMANCE

Strategic Issue #1: Assurance of sound financial management

QUESTIONS	KEY TRENDS AND INDICATORS
Have annual financial audits been conducted regularly in the past?	• Annual audit reports
Has the institution received qualified opinions or exception letters?	• Exception letters
Have "deficiencies" been acted on?	• Reports by management • Exception letters in subsequent years

Strategic Issue #2: Positive financial performance

QUESTIONS	KEY TRENDS AND INDICATORS
Has the institution met operational expenditures with operational revenues generated in the same year?	• Annual surpluses or deficits • Surpluses or deficits as a percent of total operating revenues • Financial Viability Ratio (Educational and General [E&G] revenues minus expenditures and mandatory transfers divided by E&G expenditures)
How have surpluses been allocated?	• Surpluses allocated to reserves • Surpluses allocated to subsequent operating budgets
How have deficits been compensated?	• Reserves allocated to compensate for deficits
What is the purpose of non-mandatory transfers between funds?	• Non-mandatory inter-fund transfers

Strategic Issue #3: Balanced sources of revenue

QUESTIONS	KEY TRENDS AND INDICATORS
To what extent are the sources of revenue diverse and independent?	• Percent of revenue by source
How tuition-dependent is the institution?	• Tuition as a percent of total Education and General (E&G) revenues

How dependent is the institution on operating income from endowment and reserves (if at all)?	• Endowment and reserve funds used for the operating budget
How dependent is the institution on other sources of revenue?	• Other sources of revenue as a percent of E&G revenues
How vulnerable is the institution to "soft" (non-recurring) sources of revenue?	• Non-recurring ("soft") revenues (dollars, percent)

Strategic Issue #4: Balanced expenditures

QUESTIONS	KEY TRENDS AND INDICATORS
What financial emphasis does the institution place on instruction?	• Instruction as a percent of E&G expenditures
What financial emphasis does the institution place on research?	• Research as a percent of E&G expenditures
How much is spent on administrative overhead (institutional support)?	• Institutional support as a percent of E&G expenditures
Are operating expenditures funded by non-operating revenue?	• Percent and amount of E&G expenditures
Are adequate provisions made for deferred and future maintenance needs?	• Percent of operating revenues dedicated to maintenance • Maintenance expenditures funded from designated reserves
How much is spent on operating and maintaining buildings and grounds?	• Operation and maintenance of plant as a percent of E&G expenditures
How much is spent on institutionally-supported student financial aid?	• Scholarships and fellowships as a percent of E&G expenditures
How much is spent on debt service?	• Debt service (principal and interest) on non-auxiliary notes as a percent of E&G expenditures
How much is spent on other areas, such as public service, academic support, student services, and fringe benefits?	• Public service, academic support, student services, and fringe benefits as a percent of E&G expenditures

FINANCIAL CONDITION

Strategic Issue #5: Increase of institutional assets

QUESTIONS	KEY TRENDS AND INDICATORS
Have assets been increasing?	• Total assets as reflected in audited annual statements

Have the endowment and similar funds been increasing?	• Endowment and similar funds
Have plant funds been increasing?	• Plant funds

Strategic Issue #6: Prudent use of debt as leverage for needed assets

QUESTIONS	KEY TRENDS AND INDICATORS
How much short-term debt does the institution have?	• Short-term notes
How much long-term debt does the institution have?	• Long-term debt
How much principal is the institution obligated to pay?	• Annual payments of principal
How much interest is the institution obligated to pay?	• Annual payments of interest • Accrued interest expense
What impact does debt service (principal and interest) have on the operating budget?	• Interest and principal payments as a percent of the operating budget
To what degree is future initiative constrained by current debt?	• Projected discretionary revenues

Strategic Issue #7: Maintenance of strong financial condition

QUESTIONS	KEY TRENDS AND INDICATORS
Could the institution repay its long-term debt with the assets it can legally use for this purpose?	• Ratio of expendable fund balances to total debt
Could the institution repay its short-term debt with its liquid funds?	• Liquidity Ratio (current assets divided by current liabilities)
Are reserves increasing relative to expenditures?	• Reserves as a percent of E&G expenditures

ENDOWMENT MANAGEMENT

Strategic Issue #8: Increasing total return on endowment

QUESTIONS	KEY TRENDS AND INDICATORS
How big is the institution's true endowment?	• Total true endowments
How much has the institution set aside in quasi-endowments (i.e. funds functioning as endowment)?	• Total quasi-endowments

How much has the institution set aside in a dedicated reserve fund?	• Total dedicated reserves
How much have endowments and reserves increased in capital value?	• Capital appreciation each year of endowments and quasi-endowments and reserves
What is the rate of return on invested endowments and reserves?	• Percent earned on invested endowments • Percent earned on invested quasi-endowments and reserves
Has endowment size kept pace with the growth in operating expenditures?	• Endowment as a percent of E&G expenditures
Has the endowment kept pace with the size of the institution?	• Endowment per FTE student
How much is available either for reinvesting or for use as operating funds?	• Discretionary endowment income (total amount of funds earned from capital resources subject to the board's discretion)
How much has the institution reinvested?	• Percent of discretionary endowment income reinvested

Strategic Issue #9: Allocating return on endowment between current and future needs

QUESTIONS	KEY TRENDS AND INDICATORS
How much endowment return is available for reinvesting in the principal or for use as operating funds?	• Discretionary endowment income (total amount of funds earned from capital resources subject to the board's discretion)
How much endowment return is needed to balance the current operating budget?	• Operating deficits or surpluses • Percent of endowment return allocated to current operation
How much has the institution reinvested in endowment principal?	• Percent of endowment return reinvested in the principal
How much should be reinvested for future needs?	• Trends in return on investments • Trends in costs • Trends in enrollment • Trends in real endowment per student

STRATEGIC DECISION MAKING

II. Enrollment

ENROLLMENT PLANNING

Strategic Issue #10: Choosing the optimal size of enrollment

QUESTIONS	KEY TRENDS AND INDICATORS
What have enrollment trends been over the last five to ten years?	• Total enrollment • Enrollments by academic program, academic level, and part-time/full-time status • Enrollments by gender, ethnic background, age, income, and geographical distribution • Student retention rates • Student credit hours, by program
What is the optimum or target enrollment?	• Break-even enrollment (where added revenues cover added costs)
Will future pressure be created for increased or decreased enrollment?	• Demographic and market trends in area of student draw
Can desired enrollment levels be supported by the number of potential students?	• Projected number of potential students in the areas where the institution draws most of its students, by age group • High school graduation rates
At what rate are facilities currently utilized?	• Facilities utilization study
Would enrollment shifts add revenues or costs to the operating budget?	• Added revenues from tuition and external financial aid, minus the costs of new enrollments
Would new facilities and equipment be needed to accommodate shifts in enrollment?	• Projected needs for facilities and equipment
Are changes in academic programs or emphases suggested by changes in enrollment?	• Projected student credit hours by academic program • Market studies demonstrating need for new programs and emphases
What would be the impact of enrollment shifts on the student/faculty ratio?	• Projected student/faculty ratio

How many and what mix of faculty and staff would be needed to accommodate enrollment shifts?	• Projected faculty and staff positions
How many new staff positions would be needed to accommodate new enrollments?	• Projected staff positions

Strategic Issue #11: Influencing the selectivity of the institution

QUESTIONS	KEY TRENDS AND INDICATORS
What is the image of the institution?	• Self-selection among applicants
How popular is the institution among potential students?	• Popularity Index (number of applicants per matriculating freshman or transfer)
How strong is the drawing power of the institution on students who have applied?	• Admissions Drawing Power Index (matriculants as a percent of admitted freshmen and transfers) • Surveys of students who decline admission
How successful is the institution in retaining students through graduation?	• Retention Index (percent of freshmen who graduate)
What would be the impact on the applicant pool of changing student selectivity?	• Projected number of qualified applicants based on SAT or ACT cutoff scores
What would be the impact on incoming student quality of more (or fewer) matriculants?	• Projected SATs or ACTs of students based on different enrollments
Will the image of the institution help or hinder the recruitment of desired students?	• Image studies among potential and random students
How effective are the institution's recruitment materials and plans in stimulating applications and matriculations?	• Communications audits of recruitment materials and plans

TUITION PRICING

Strategic Issue #12: Setting the right price for tuition

QUESTIONS	KEY TRENDS AND INDICATORS
What has been the price of tuition and fees in the past?	• Trends in tuition and fee levels
How does this compare to other institutions in the market who compete for the same students?	• Tuition and fees of institutions competing in the same markets
How dependent is the institution on tuition revenues?	• Tuition as a percent of total current fund revenues

What is the true revenue from tuition?	• Gross tuition revenue minus discounts and waivers • Net tuition as a percent of total current fund revenues
In the past, what has been the effect of tuition changes on enrollment?	• Trends in tuition, applicants, and matriculants
What impact will a tuition increase or decrease have on applications and matriculants?	• Projected applications and matriculants based on various tuition levels
What impact will a change in tuition have on the operating budget?	• Projected operating budgets based on various tuition levels

STUDENT FINANCIAL AID

Strategic Issue #13: Maximum leverage of student financial aid to achieve targeted student mix and desired selectivity

QUESTIONS	KEY TRENDS AND INDICATORS
How dependent is the institution on externally funded financial aid?	• External financial aid as a percent of revenues
To what extent does the institution itself fund financial aid?	• Discounts and waivers • Scholarships and fellowships awarded by the institution • Scholarships and fellowships as a percent of E&G expenditures • Scholarships and fellowships as a percent of operating surpluses or deficits
What are the sources of institutionally-funded student financial aid?	• Restricted scholarships and fellowships • Current gifts available for student financial aid
Are financial aid and tuition discounts being used to mask "softness" in enrollment?	• Trends in revenue tuition and fees minus internal financial and tuition discounts
What impact will a change in tuition have on the targeted mix of students and on need-based institutional financial aid?	• Projected mix of students based on various tuition levels • Projected discounts and waivers required to maintain a targeted mix of students
What impact will a tuition change have on merit-based institutional aid?	• Projected discounts and waivers required to attract targeted students

STRATEGIC DECISION MAKING

III. Institutional Advancement

DEVELOPMENT AND FUND-RAISING PROGRAMS

Strategic Issue #14: Sustaining the fund-raising effort

QUESTIONS	KEY TRENDS AND INDICATORS
What is the pattern of total contributions?	• Total contributions (number, dollars) compared to targets, if any
What is the pattern of board contributions to the institution?	• Percent of board members who contribute • Board contributions as a percent of total • Average giving of top 50% of board
What is the pattern of alumni contributions?	• Alumni contributions (number, dollars) • Percent of alumni contributions • Average contribution per alumnus
What is the pattern of corporation and foundation gifts?	• Contributions from corporations (number, dollars) • Equipment contributions from corporations • Contributions from foundations
Has the annual fund grown steadily?	• Contributions to the annual fund • Contributions to the annual fund adjusted for inflation
What is the pattern of gifts in bequests and annuities?	• Realized bequests: number and average size • Annuities and similar funds

Strategic Issue #15: Managing development activities

QUESTIONS	KEY TRENDS AND INDICATORS
What is the size of the development office?	• Number of development office employees
What is the average cost of contributions?	• Amount of contributions divided by cost of fund-raising
Is the development system adequate?	• Description of system capabilities

Are alumni and other volunteers actively involved in fund-raising?	• Number of alumni participating in development

Strategic Issue #16: Launching a capital campaign

QUESTIONS	KEY TRENDS AND INDICATORS
What are capital needs for facilities, equipment, endowment, endowed chairs, and other items, and what are the priorities?	• Study of capital needs for facilities, equipment, endowed chairs, and other items, presented in priority order
What are the projected revenues and costs (including maintenance) of the items to be acquired?	• Projected revenues, including incremental enrollments and usage of facilities • Projected expenses, including maintenance
Are debt service and facilities maintenance costs covered by the capital campaign program?	• Projected operating budget, including debt service and maintenance
Is a fund-raising campaign feasible at this time?	• Capital campaign feasibility study, preferably developed with professional counsel
What is the case for the institution's need for capital funds?	• Campaign case statement
What are the plans, internal or external, for the campaign?	• Campaign plan, including expectations of the board and other volunteers
Do we have the capability to launch, sustain, and successfully complete the campaign?	• Committed leadership, starting with the governing board and the foundation board, where applicable • Major gifts secured before announcing the campaign

Strategic Issue #17: Ensuring that the development program supports the long-term needs of the institution's financial plan

QUESTIONS	KEY TRENDS AND INDICATORS
Does the development plan support the long-term financial plan?	• Development plans and goals • Financial plans and goals
Are restricted and unrestricted funds appropriately balanced?	• Restricted and unrestricted contributions

Strategic Issue #18: **Maintaining the support of constituents**

QUESTIONS	KEY TRENDS AND INDICATORS
How strong is alumni support for the institution?	• Alumni contributions • Alumni participation in key events (e.g., Homecoming)
How is the institution perceived by alumni, friends, community leaders, sponsoring organizations, and legislators?	• Image studies
How effective are the institution's publications and media?	• Communications audit
How effective is the institution's public relations program?	• Media audit
What is the size of the public relations office?	• Number of public relations employees

STRATEGIC DECISION MAKING

IV. Human Resources

FACULTY AND STAFF

Strategic Issue #19: **Providing compensation support for faculty and staff**

QUESTIONS	KEY TRENDS AND INDICATORS
How has the institution compensated faculty and staff in the past?	• Faculty compensation by academic rank • Administrative staff compensation by level • Staff compensation by position
How does this compare with the market?	• Faculty compensation at selected comparable institutions • Administrative staff compensation at selected comparable institutions • Compensation for comparable staff positions in the local area
Has compensation kept pace with inflation?	• Trends in faculty and staff compensation adjusted for inflation
What fringe benefits does the institution provide for faculty and staff?	• Retirement programs • Health insurance programs • Disability insurance programs • Life insurance programs • Tuition discount or waiver programs
How are merit and performance rewarded?	• Merit compensation programs • Performance appraisal programs

Strategic Issue #20: **Hiring and retaining the right faculty and staff**

QUESTIONS	KEY TRENDS AND INDICATORS
What are the institution's qualifications for faculty?	• Faculty hiring criteria • Percent of faculty with terminal degrees

What is the profile of the faculty, i.e. academic rank, tenure, and age? How much flexibility does the institution have in hiring new faculty?	• Faculty by rank and by academic program • Percent of tenured faculty by academic program • Average age of faculty • Number of faculty projected to reach a targeted age (65 or 70) in upcoming years
What is the pattern of faculty promotions?	• Number of faculty promoted, by rank
Is the institution retaining its faculty?	• Resignations of tenured faculty by academic program • Surveys of intent to stay or leave • Offers declined
What programs does the institution have for faculty development?	• Faculty development programs
What are the institution's qualifications for staff?	• Staff hiring criteria by service area (student affairs, finance, etc.) • Percent of staff with appropriate degrees and experience by service area
Is the institution retaining its staff?	• Staff resignations by area
What programs does the institution have for staff career development and promotion?	• Staff career development programs • Staff promotion programs

Strategic Issue #21: Maintaining equitable personnel policies and procedures

QUESTIONS	KEY TRENDS AND INDICATORS
Are personnel policies and procedures adequately communicated?	• Review of the faculty and staff handbook
Is academic freedom adequately protected?	• Review of academic freedom policies
Are the institution's grievance procedures adequate?	• Turnover rate • Number of grievances • Legal fees spent on resolving personnel issues • Surveys of job satisfaction and institutional morale
If the institution has collective bargaining agreements, does it negotiate effectively with unions?	• Union attitudes toward management • Management attitudes toward unions

Strategic Issue #22: Participation in decision-making

QUESTIONS	KEY TRENDS AND INDICATORS
What is the governance structure of the institution? What decisions and recommendations are made by governance bodies? How do faculty and students participate in decisions?	• Governance documents • Participation rates in student government elections • Participation rates in faculty government elections • Attendance at faculty government meetings
How do faculty, staff, and students feel about participation in decision making?	• Faculty, student, and staff attitudes about participation in decision making

Strategic Issue #23: Efficiency and effectiveness of management practices

QUESTIONS	KEY TRENDS AND INDICATORS
Does the institution have an effective long-range or strategic planning process?	• Review of long-range planning processes and results
Are short-range and projected plans effectively developed and executed?	• Review of short-range and project planning processes and results
Do administrators work together effectively as a team?	• Administrators' perceptions of teamwork
Are communications within the organization timely and effective?	• Faculty, staff, and student perceptions of communications
Are faculty and staff productivity measured?	• Productivity measurement programs
Are programs in place to ensure containment of controllable costs?	• Cost containment programs • Results of cost containment programs • Institutional support as a percent of E&G expenditures • Faculty as a percent of total staff • Administrators as a percent of total staff

Strategic Issue #24: Maintaining a healthy mix of faculty, staff, and students

QUESTIONS	KEY TRENDS AND INDICATORS
What has been the mix of faculty, staff, administrators, and students by gender and ethnic background?	• Faculty, staff, adminstrators, and students by gender and ethnic background • National trends in enrollment and employment of women and minorities
What are reasonable targets for this mix in the future?	• Projections of faculty, staff, administrators, and students by gender and ethnic background
What steps are being taken to achieve the desired mix?	• Action plans for affirmative action and equal opportunity

STRATEGIC DECISION MAKING

V. Academic Activities

INSTRUCTION

Strategic Issue #25: A viable mix of academic programs

QUESTIONS	KEY TRENDS AND INDICATORS
How have academic programs performed in the past? Which programs show sustained demand, and which ones (if any) are having difficulty with enrollments?	• Head count enrollment by program • Majors by program • Student credit hours by program
What types of academic programs has the institution offered?	• Undergraduate and graduate enrollments and student credit hours • Off-campus student credit hours • Non-credit programs, on- and off-campus
What degrees have been awarded?	• Degrees awarded by level • Degrees awarded by academic program
How much non-credit instruction is conducted by the institution?	• Number of non-credit programs • Number of participants in non-credit programs • Participant contact hours in non-credit programs

Strategic Issue #26: Assurance of high quality instruction

QUESTIONS	KEY TRENDS AND INDICATORS
Has the quality of the instruction been reviewed regularly? Have the programs been favorably rated?	• Reports of reviews of instructional programs • Accreditation reports
How have the institution's graduates fared in the job market?	• Graduate job placements
How have the institution's graduates fared in professional and graduate school admissions?	• Professional and graduate school placements
What do students think about the quality of instruction?	• Student surveys of instruction

Strategic Issue #27: Approval of new programs

QUESTIONS	KEY TRENDS AND INDICATORS
What unmet educational needs are there in the community?	• Assessment of educational needs
What capital and start-up costs would be required for a proposed new program?	• Capital and start-up budget for the proposed new program
What operational revenues would be generated by a proposed new program over several years?	• Projected operational revenues for the proposed new program
What long-term commitments of resources (such as new faculty) would be incurred by a proposed new program?	• Human and physical resource requirements for the proposed new program
What operational costs would be incurred by a proposed new program?	• Projected operational expenses for the proposed new program
Does the proposed new program fulfill or extend the mission of the institution?	• Review of the new program in light of the mission

Strategic Issue #28: Discontinuance of existing programs

QUESTIONS	KEY TRENDS AND INDICATORS
What forces have prompted a recommendation to discontinue a program?	• Enrollments and student credit hours in the program • Costs of the program • Quality of the program • Currency of the program • Political/ideological considerations • Centrality to the mission of the institution
Will discontinuance of the program require faculty or staff terminations?	• Projected effect of discontinuance on staffing
What impact will discontinuance of the program have on the operating budget over the short run and long run?	• Projected operating budget without the program
What impact will discontinuance of the program have on morale?	• Faculty, staff, and student attitudes and perceptions

RESEARCH

Strategic Issue #29: Appropriate balance between instruction and research

QUESTIONS	KEY TRENDS AND INDICATORS
What is the financial emphasis on research versus instruction?	• Research expenditures as a percent of E&G expenditures
	• Instruction expenditures as a percent of E&G expenditures
How much faculty time is spent on research?	• Percent of faculty time devoted to research of any kind
	• Amount of faculty time spent on research of any kind
How much does the institution spend on faculty research?	• Faculty research and development expenditures
How much research is conducted by the faculty that is sponsored by Federal and state governments, corporations, or foundations?	• Revenues for research sponsored by Federal and state governments, corporations, and foundations
Are the indirect costs of sponsored research fully covered?	• Indirect cost recovery (overhead) rate charged for sponsored research
	• Revenue from indirect cost recoveries
	• Indirect cost studies for research activities
Is sponsored faculty research compatible with the mission of the institution?	• Review of sponsored research in light of the mission

PUBLIC SERVICE

Strategic Issue #30: Appropriate public service activities

QUESTIONS	KEY TRENDS AND INDICATORS
What public service activities are conducted by the institution and by individual faculty and staff?	• Inventory of public service programs and activities
What are the costs of public service programs?	• Public service expenditures as a percent of E&G expenditures
What financial impact does the institution receive from public service programs?	• Surplus or deficit from public service programs
What are the policies governing the faculty's participation in public service programs?	• Review of public service compensation and consulting policies

Do public service activities conducted by the institution advance the mission?	• Review of public service activities in light of the mission
How well are public service programs communicated within the institution and to the community?	• Institution and community surveys
How do the participants rate public service programs?	• Participant evaluations
What is the economic impact of the institution on the community?	• Economic impact study

ACADEMIC SUPPORT SERVICES

Strategic Issue #31: Adequacy of learning resources

QUESTIONS	KEY TRENDS AND INDICATORS
How adequate is the library or learning resource center?	• Number of volumes and new acquisitions • Volumes per student • Number of library staff • Expenditures for books and periodicals • Expenditures for other learning resources
How adequate is academic computer support? Are computer hardware, software, and telecommunications systems up-to-date?	• Number of personal computers or terminals available for faculty and students • Rates of computer usage by faculty and students • Time students and faculty spend using institutional computers • Number of faculty and students with personal computers or terminals
What has been the pattern of funding for academic support services?	• Academic support services as a percent of E&G expenditures • Learning resources as a percent of E&G expenditures • Academic computing as a percent of E&G expenditures

STRATEGIC DECISION MAKING

VI. Student Affairs

STUDENT SERVICES

Strategic Issue #32: **Quality of Student Life**

QUESTIONS	KEY TRENDS AND INDICATORS
Are students happy with the quality of student life?	• Student quality of life survey
How adequate is the funding for student services?	• Student services expenditures as a percent of E&G expenditures
How large is the student services staff?	• Number of student services employees
What services are provided through student services?	• Inventory of student services
How effective are these services at meeting student needs?	• Student services surveys
What other services are provided for students?	• Inventory of other student services

STUDENT ACTIVITIES

Strategic Issue #33: **Responsible expenditure of student activities fees**

QUESTIONS	KEY TRENDS AND INDICATORS
What policies govern the use of student activities fees?	• Review of student activity fee policies
What activities are conducted by and for students? Should other activities be conducted?	• Inventory of student activities

STRATEGIC DECISION MAKING

VII. Intercollegiate Athletics

FUNDING AND QUALITY OF ATHLETIC PROGRAMS

Strategic Issue #34: Enhancement of institutional image and visibility

QUESTIONS	KEY TRENDS AND INDICATORS
How successful have intercollegiate athletics been?	• NCAA, NAIA, NJCAA, and conference rankings in all sports
	• NCAA, NAIA, NJCAA, and conference rankings in selected sports
	• Ticket demand
Have athletics contributed to the image and visibility of the institution?	• Media studies
Has the institution complied with NCAA standards and policy?	• Compliance reviews of NCAA, NAIA, NJCAA, and conference standards and policy
What policies govern remedial and developmental academic programs for athletes?	• Review of developmental program policies
What is the academic performance of student athletes?	• Graduation rates of student athletes compared with student body as a whole
	• Number of athletes on academic probation

Strategic Issue #35: Self-sufficiency of athletics

QUESTIONS	KEY TRENDS AND INDICATORS
Have intercollegiate athletics supported or detracted from the institution's financial position?	• Athletic surpluses or deficits
	• Capital expenditures for athletics not drawn from athletic funds
	• Incremental enrollment and development attributable to intercollegiate programs

STRATEGIC DECISION MAKING

VIII. Physical Plant and Equipment

PHYSICAL PLANT

Strategic Issue #36: Adequate and timely maintenance and renovation of physical plant

QUESTIONS	KEY TRENDS AND INDICATORS
What is the condition of the physical plant?	• Deferred maintenance study
What expenditures (if any) are required to correct deficiencies?	• Deferred maintenance study
How much has been spent on operation and maintenance of the physical plant?	• Expenditures for operation and maintenance of physical plant • Operation and maintenance of physical plant expenditures as a percent of E&G expenditures
How large are maintenance reserves for upkeep of the plant?	• Reserves for upkeep of physical plant

Strategic Issue #37: Allocation of space

QUESTIONS	KEY TRENDS AND INDICATORS
What is the procedure by which space is allocated?	• Review of policies and procedures for allocation of space
How much space is allocated to academic, research, administrative, and student affairs functions?	• Square feet of space allocated to academic, research, administrative, and student affairs functions

Strategic Issue #38: Controlling physical plant costs

QUESTIONS	KEY TRENDS AND INDICATORS
What are the trends in physical plant costs?	• Plant operation and maintenance costs per FTE student
What are the trends in energy costs?	• Budget share expended on energy
Is there an energy conservation program in place?	• Trends in energy consumption • Cost savings
What are the trends in labor costs for maintenance of the plant?	• Labor expenditures for maintenance of the plant

What is the pattern of energy costs for heating and cooling air and water?	• Energy expenditures
What steps need to be taken to keep costs to a minimum?	• Energy and labor costs
How well is the institution insured against risk from fire and other damages?	• Insurance coverage

EQUIPMENT

Strategic Issue #39: Effective management of equipment

QUESTIONS	KEY TRENDS AND INDICATORS
What equipment does the institution own?	• Equipment inventory by functional area (instruction, research, administration, etc.)
What equipment should the institution have that it doesn't?	• Inventory of equipment requests
What has been spent on equipment?	• Equipment expenditures by category
	• Equipment as a percent of E&G expenditures
What are the sources of funds for equipment?	• Expenditures on equipment by revenue source
How is equipment accounted for?	• Property control policies and procedures
To what extent is the equipment up-to-date? What is its technical obsolescence?	• Equipment aging studies (average years owned, by category)
	• Review of equipment by experts
What measures are taken to reduce the costs of equipment?	• Provisions for sharing equipment
How will new equipment be financed?	• Financial plans for purchase of new equipment
	• Pooled debt for equipment

STRATEGIC DECISION MAKING

IX. Auxiliary Activities

AUXILIARY SERVICES

Strategic Issue #40: **Adequacy of administrative support services set up as auxiliaries**

QUESTIONS	KEY TRENDS AND INDICATORS
What surpluses or deficits have been contributed by each auxiliary service?	• Surpluses or deficits, by auxiliary service
Are students and other users satisfied with the services provided by these auxiliaries?	• Student and other user surveys, by auxiliary service

AUXILIARY ENTERPRISES

Strategic Issue #41: **Utilization of auxiliary enterprises as sources of revenue**

QUESTIONS	KEY TRENDS AND INDICATORS
What surpluses or deficits have been contributed by each auxiliary enterprise?	• Surpluses or deficits, by auxiliary enterprise
Are the auxiliary enterprises genuine public services consistent with the mission of the institution?	• Review of auxiliary enterprises in light of the mission
How are new auxiliary enterprises to be financed and capitalized?	• Business plans, capital budgets, and operational projections of proposed auxiliary services
Are unrelated business income guidelines followed?	• Amount and percent of unrelated business income
How do local businesses feel about the institution's auxiliary enterprises?	• Surveys of the local business community

STRATEGIC DECISION MAKING

X. Institutional Mission

MISSION

Strategic Issue #42: Responsiveness of the mission to changes in the external environment

Issues pertinent to specific institution types include:

Public Institutions
Adequacy of state funding
Growth of private funding
Ability to meet enrollment targets
Ability to cut budgets if required
Public support
Good governmental relations

Independent Institutions
Ability to meet enrollment targets
Strategic pricing
Market position
Growth of endowment and endowment income
Availability of student financial aid
Cost control
Good alumni relations

Single Gender (Men's/Women's) Institutions
Effective communication of the rationale for attending a single gender institution
Supportive environment for students
Opportunities for student leadership development

Religious Institutions
Effective communication of the rationale for religious emphasis
Supportive relations with the denomination
Opportunities for student leadership development

Research Institutions
Market share of sponsored research
Peer perceptions of research quality
Relations with industry
Up-to-date facilities and equipment
Incentive for research
High quality faculty and researchers
Ability to attract graduate students

Professional Schools
Relations with the profession
Peer perceptions of quality
High quality faculty
Ability to attract professional students
Test scores and pass rates on professional qualifications examinations

Liberal Arts Colleges
High quality teaching faculty in liberal arts disciplines
Placements in graduate and professional schools
Well-equipped libraries
Honors programs
Fine arts facilities
Low student/faculty ratio
Personal attention to students

Residential Institutions
Sufficient residence halls
Quality residence hall space
Safe location

Open Access Institutions
Effective linkages with high schools
Effective academic assessment of students
Student support services
Sufficient financial aid
Clear exit standards

Selective Institutions
Academic reputation
High quality teaching faculty
Sufficient merit-based student financial aid
Ability to compete for high-achieving students
Admissions drawing power

Historically Black/Predominantly Minority Institutions
Ability to compete for students and faculty with other types of institutions
Availability of targeted federal funding
Sufficient need-based student financial aid
Effective communication of rationale for ethnic emphasis

Urban/Commuter Institutions
Responsiveness to non-traditional student needs
Responsiveness to commuter student needs
Responsiveness to community needs
Competitive pricing
Flexible hours
Faculty with practical experience
Success at placing graduates in jobs
Transportation
Parking

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